

The Bundesbank Lessons from the meisterbankers



Motor vehicles Nissan sets the g in Europe



Russian oil industry Corruption, chaos & a market economy

Survey Atlanta an

Georgia Section III



Europe's Business Newspaper

FINANCIAL TIMES

Crédit Lyonnais profits fall hits

Thomson-CSF Crédit Lyonnais, state-controlled French bank criticised for its aggressive expansion strategy and loans policy, suffered a sharp fall in net profits in the first half of the year after a steep increase in provisions. The collapse - from FFTL6bn (\$290m) to FFr119m - brought a profits warning from French electronics group Thomson-CSF, which holds a significant minority stake in the

bank. Page 19 Russia's inflation promise: Yegor Gaidar, Russia's acting prime minister, told a sullen Russian parliament that the government planned a tough credit and monetary policy to stem a spiralling budget deficit and hyperinflation. Page 18; Grappling with Russian debt, Page 4

Yugoslavia plea to UN: A final attempt by Milan Panic, prime minister of rump Yugoslavia, to avert its expulsion from the United Nations appeared doomed as the General Assembly prepared to act on the recommendation of the Security Council. Absurdities of civil war, Page 4

Sevilla pays \$7.5m for Maradona



Former Argentine soccer captain Diego Maradona (left) is to join the Spanish club Sevilla. His Italian club, Napoli, agreed to sell him for \$7.5m. navable in instalments Maradona, aged 31, was suspended from football for 15 months until June this year

Tyremaker turns round: Michelin, world's largest tyremaker, announced a net profit of FFr820m (\$151.8m) in the first half of the year, from a FFr1.06bn loss in the same period of 1991. The improvement came chiefly from cost savings including 11,400 job losses. Page 19

S Africa shooting: A pathologist found that 15 African National Congress supporters killed this month by soldiers of the Ciskel homeland in South Africa had been shot in the back.

Keating warms on trader Australian prime minister Paul Keating said exclusive trade group-ings in Asia and the Pacific, emerging in response to the faltering Uruguay Round of world trade talks, were a threat to open trade in the region.

UK opposes tapes levy: Britain is strongly opposed to a Europe wide levy on blank audio nd video tapes, being examined by the European Commission to compensate performers for illegal recording of their work. Page 5

Hong Kong group ahead: Jardine Matheson, diversified Hong Kong trading and investment company, posted a 12.4 per cent rise in net profits to US\$151.8m in the six months to June 30 from \$135.1m in the same period last year. Chairman Henry Keswick underlined the advantages of the company's geographical spread and the strength of its balance sheet. Page 22

Communist ban lifted: The Philippines legalised the Communist party, outlawed for 35 years, and freed 48 leftwing rebels in an effort to end insurgency. Page 6

Economy almost stagnant: Japan's domestic economy was virtually stagnant in the second quarter of this year, according to the Economic Planning Agency. Domestic demand did not grow between April and June, with only net export growth and income from investment abroad pushing the economy to meagre growth. Page 6

China plans checks: China plans to create a national regulatory body, independent of the central bank, to oversee its growing securities markets, which have frequently been hit by tur-

Ukraine trade frozen: Financial transactions between Ukraine and Russia, the largest former Soviet republics, have been frozen since Friday when Russian central bank chairman Viktor Gerashchenko, bowed to pressure from reformers and said he would no longer accept payments from Ukraine. Page 4

German accord: Germany and Kazakhstan signed an investment and co-operation agreement and pledged to safeguard the rights of the ethnic German minority in the former Soviet republic.

Facelift for Colosseum: Work began on a four-year, \$37m project to restore Rome's 2,000-

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Germany CNG 30 Lebanon US31.25 Portugal Es 190 UAE Dh10.00 WEDNESDAY SEPTEMBER 23 1992

Pressure for realignment of ERM intensifies

By James Blitz in London Andrew Fisher in Frankfurt and Peter Bruce in Madrid

PRESSURE FOR a further realignment of the European exchange rate mechanism intensified last night after five of the dropped close to their ERM floors against the D-Mark.

Four European central banks intervened heavily on the foreign exchange markets yesterday, buying their currencies for the D-Mark after an unexpectedly strong figure for Germany's mon-etary growth in August indicated that the Bundesbank will be unable to cut interest rates fur-

A spokesman for the French finance ministry in Paris denied rumours that the ERM would be suspended altogether and that the French franc would be devalued against the D-Mark. Mr Hans Tietmeyer, the Bundesbank vice-president, said in Washington that he did not foresee a D-Mark revaluation.

Mr Theo Waigel, the German finance minister, who was in Washington for the World Bank/ ■ UK trade figures **S** Editorial Comme

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■ Bond markets Back Page, Section II

International Monetary Fund meetings, yesterday abruptly cancelled appointments to under take what German embassy officials there described only as a "series of bilateral meetings".

It was not immediately clear with which countries he was conferring. But after a day in which several currencies were pushed close to their floor levels in the European exchange rate mechanism, the move provoked rumours that a further ERM upheaval could be imminent.

This suspicion was further fuelled byreports that several EC financial policymakers - including Mr Michel Sapin, the French finance minister, and Mr Horst Köhler, Mr Waigel's top official - were flying back early from



Helmut Kohl says goodbye to François Mitterrand after a meeting on the future of the EC

Washington. Community and national officials maintained their denial of rumours earlier in the day that a meeting of the EC Monetary Committee, which comprises representatives of finance ministries and central banks, was

about to be convened. The falls in the value of the French franc, the Spanish peseta, the Portuguese escudo, the Danish krone and the Irish punt come within a week of the suspension of sterling and the Italian lira from the ERM.

The Bank of France intervened for the fourth trading day running, buying francs for D-Marks, as its currency threatened to fall to its ERM floor against the D-Mark of FFr3.4305. Dealers said the French central bank's intervention was substantial, but the franc closed in London at FFr3.4260. Both the Spanish peseta and the Portuguese escudo also came under intense seiling pressure. The Bank of Spain intervened in the market to

defend the peseta for the first

devalued by 5 per cent last week. But the peseta closed at Pta71.91 to the D-Mark, very near its new ERM floor of Pta72.62. The Portuguese escudo slipped below Esc89 to the D-Mark, close to its floor of

time since its currency was

The Dutch central bank bought the Irish punt and the Danish krone for the Dutch guilder, which was yesterday the second strongest currency in the ERM

Continued on Page 18

Weaker currencies slide as hopes for cut in German interest rates are dashed Maastricht lives on, promises Kohl

By David Buchan in Paris and

CHANCELLOR Helmut Kohl and French President François Mitterrand gave their firm commitment at a mini-summit in Paris yesterday to ensuring that European monetary and political union should not be halted.

After the two-hour meeting, Mr Kohl sald on German television: "For me and for the president it is clear. We want the ratification of Maastricht. The process must not be stopped. We want to expand but also deepen the Community."

However, both leaders refused to say, or to let their officials say, anything about the content of the meeting, which has fuelled rumours of a Franco-German initiative following last Sunday's narrow French vote of approval for the Maastricht treaty, and of possible currency realignment.

Shortly after the meeting, the French finance ministry re-iterated that there would be no change in the franc's rate with the D-mark.

On the possibility of a joint initiative, German officials said Mr Kohl would discuss any plans with other government heads before anything was finalised.

Mr Kohl is to make a full statement on the Maastricht treaty to the Bundestag on Friday, and has cancelled a week-long Asia trip in October to attend the London summit and to work on the sues involved.

French and German officials stressed that yesterday's meeting should be seen as the start of the run-up to the mid-October EC summit in London, which the leaders of France and Germany hoped would produce important clarification - but not renegotiation - of the Maastricht treaty.

The news black-out on yesterday's meeting may have been partly due to a desire to avoid the impression that the German chancellor and the French president are ganging up on UK Prime Minister John Major. They recognise the UK leader's increasing difficulty of squaring his domestic problems over Maastricht with his responsibility as current president of the EC to orchestrate further ratifica-

Britain reduces interest rates by 1 point

By Emma Tucker and Peter Marsh in London

THE UK government yesterday took full advantage of the freedom conferred by a floating pound to cut interest rates by I percentage point, bringing them below short-term rates in Germany for the first time in more

than 11 years. The effort by Mr Norman Lamont, the UK chancellor (finance minister), to regain the initiative over his economic policy was swiftly followed by announcements from banks and building societies that they would cut mortgage rates by around % of a

percentage point. The move came less than a week after "Black Wednesday" when Britain had to suspend sterling from the European exchange rate mechanism, thereby abandoning the central plank of its economic policy. The decision to take rates to their lowest levels since mid-1988 was taken after consultations yesterday between the chancellor and Mr John Major, the UK prime minister. It is designed to raise the spirits of backbenchers in the ruling Conservative party ahead of tomorrow's emergency debate on the economy.

The move will also reinforce the impression at Westminster that Mr Major's priority now is to rebuild support among MPs, even at the expense of some higher inflation. The chancellor made clear yes-

terday that he "was not going to take any risks with inflation" and would raise rates again should price rises accelerate. The announcement of the cut in rates from 10 per cent to 9 per cent was signalled yesterday

although a bigger-than-expected

morning by the Bank of England when it cut the rates at which it lends to the banking system. Sterling shrugged off the cut in interest rates which had been widely expected in the City.

rise in the German money supply dampened prospects of another early rate cut. Some industrialists and politicians said that further cuts in borrowing costs were needed to lift Britain from its longest recession for 50 years.

Sterling closed in London up 4 of a pfennig on the day against the D-Mark at DM2.5450. It was barely changed against the dollar, closing at \$1.7090. The Leeds Permanent building

society, with half a million borrowers, was the first of the big mortgage lenders to cut its basic rate by 0.75 of a point from 10.7 per cent to 9.95 per cent.

The Abbey National pledged to cut mortgage rates by "around 0.75 per cent" but the Halifax said it would wait to see how the markets settled before deciding on a cut. A reduction of 0.75 of a percentage point would reduce the average cost of a £30,000 mortgage by just over £11 a

Mr Lamont said the cut was

justified on both fundamental economic grounds and recent sharp falls in inflation but stressed that he would press on with the policy to cut inflation.

"I am not going to take any risk [with inflation]. If at any time I thought it was going to pose a problem again I would not hesitate to put rates up." he said. "Being outside the ERM is not

free lunch and is not intended to be a free lunch," he added. Although yesterday's move is expected to lift some of the gloom

ties facing the UK economy. Figures from the Central Statistical Office showed the UK's defi-

cit on visible, or merchandise, goods excluding oil and erratic items, was £1.7bn, its highest level for two years. It followed an underlying rise in import volumes to record levels and a levelling off in exports growth. The devalued pound could make imports more expensive.

stifling economic activity, worse-

than-expected trade figures came

as a barsh reminder of difficul-

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Ford cuts output in Europe and shortens working weeks

By Kevin Done in London

FORD, the US car maker, is cutting production in Europe because of weakening demand. The company said yesterday that it was extending short-time working at its three British assembly plants until the end of October at least. It has also reduced its production schedules at German assembly plants at Saarlouis and at Cologne and at its Spanish plant at Valencia and is extending short-time working

at its Belgian plant at Genk. Ford had previously warned that it saw no sign of improvement in UK new car demand with "no indication of any real recovery before mid-1993". At the same time it has lowered its sales forecasts for several other markets, including Italy. Spain and

In the western European market as a whole, new car sales first eight months of this year than in the corresponding period

Ford has already cut 12 production days on its Sierra assembly line and six days on the Transit van line at the Genk plant this month. Further cuts are planned for October with a reduction to a four-day week and single-shift working in the first half of the month on the Sierra line.

In the UK, two of Ford's car assembly plants as well as a van plant have already been on shorttime working for much of the period since the summer plant shut-down. The car plants will effectively move on to three-day weeks in October. Ford said that about 10,000 workers at the UK plants would

The Dagenham plant, which produces the Fiesta and which has been exporting more than half of its output, will be on a three-day week with no working on Thursdays and Fridays for five weeks from next Monday.

For four weeks from the end of this month, Ford will work a four-day week at Halewood, which produces the Escort-Orion range, by eliminating the single

Rover, the UK car maker owned by British Aerospace, has also introduced a four-day week on its Rover 200/400 assembly line in Birmingham until the week beginning October 26, cut-ting production by 7,000 cars. Its Mini and Metro lines are on a three-day week until the beginning of November, cutting output by 4,000 cars.

Car production goes from 0 to 130,000 in 14 weeks, Page 10

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be affected by the latest short-

time working in October, which

would cut production by about

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THE FINANCIAL TIMES LIMITED 1992 No 31,869 Week No 39 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Money supply spectre haunts the ambitious Bundesbank

But M3 goals will not be dropped easily, reports Andrew Fisher

be haunted by its ambitious

money supply targets.
On the one hand, they are fundamental to its monetary policies, intended to curb inflation. On the other, they have led to interest rates which are damagingly high for the rest of Europe and could even harm the slackening domestic econ-

The latest figures have caught the central bank rather on the hop. When Mr Helmut Schlesinger, its president, announced cuts in German interest rates two weeks ago as part of a limited currency realignment - he also held out the possibility that money supply figures would look a little better after the 8.5 per cent annualised expansion of July.

Yesterday, however, the bank said M3, the broad monetary indicator, had advanced at an annual rate of 9 per cent in August, with bank lending continuing to move along rapidly. The Bundesbank has set an ambitious target range of between 3.5 and 5.5 per cent for M3 this year. As Mr Schlesinger has ruefully admitted, there is no chance of this being

Nonetheless, the Bundes-

its targets lightly. Even though the figures did not bear out Mr Schlesinger's hope that M3 expansion may have since been "somewhat less" than in July, it still aims to rein back money supply to a speed which will inhibit future

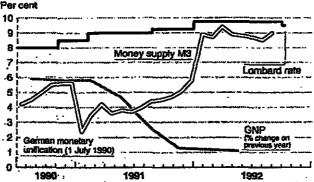
If it succeeds, interest rates will come down further. The question is when.

In view of the unprecedented turbulence on foreign exchange markets in the past few weeks, the Bundesbank's targeting of money supply has, not surprisingly, been the subject of considerable argument. Should the Bundesbank relax its adherence to M3 at such a complex time, which includes the manifold strains of unification, or should it stick to this indicator as one of the only real yardsticks it has?

"In the past," says Mr Thomas Mayer, an economist at the Frankfurt office of Goldman Sachs, the US investment bank, "M3 has shown its quality as a leading indicator of

Now, it is less easy to state whether it remains reliable. But he asserts: "If there is any doubt, the Bundesbank has the duty to err on the side of caution and stability". Its legal

German economy



duty, after all, is to maintain price stability.

This is what the Bundesbank has been very successful in doing over the past four never exceeded 7 per cent. But then came reunification, a generous conversion rate for East German Marks into D-Marks, and the immense cost of shoring up east German living standards while the economy was put through the immense trauma of moving from a communist system to the free mar-

Much of the extra growth in

cess. Bank lending, a large part going to finance investment in the east, has risen rapidly,

with annualised growth of 11

per cent over the past six

Although this rate is slightly less than in some months this year, "it is still far too high", says Mr Paul Brunker, economist with Robert Fleming in London. "I would have expected this to have come down

Much of the investment going into east Germany is helped by special credits and

short-term interest rates rose

as the Riksbank, the country's

central bank, maintained a 50

per cent marginal lending rate

to the banks. However, capital

appeared to be flowing back

The continuing unease in

Sweden is partly a reflection of

the wider turbulence on the

still hopedthat the package

hammered out at the weekend

hetween the four-party centre-

right coalition government and

the Social Democratic opposi-

tion, aimed at eliminating a

the next few years, will make

clear the determination of the government to deal with the

country's underlying economic

The country's old social con-

sensus, based on high public spending and high taxation

administered by a powerful

centralising state, and that

once-famous Swedish Model of

comprehensive welfare provi-

sion, is being gradually aban-

doned. Next year old-age pen-sions and child benefit are to

be cut in value. Housing subsi-

growing structural deficit ove

into the country.

soft lending, rendering it insen-sitive to changes in interest

This worries the Bundesbank, though such spending will eventually contribute to economic growth and create jobs. "If the money goes into capital investment, it will be less inflationary", adds Mr Brunker. "But some must be potentially inflationary.

Among the strongly dissent ing voices on the Bundesbank's monetary policies is the DIW economic institute in Berlin. The Bundesbank took a roasting from the DIW in July when it was accused of possibly becoming "a slave of its own money supply concept". The institute said bank credits for east German investment were highly necessary, and actually still too low. Moreover, they would inhibit inflation over the medium term by adding to production.

So far, the Bundesbank has shown little sign of taking any notice. Wedded to price stability, it has always kept policy tight when this objective has been threatened. Only an easing of M3 growth, or immense foreign and domestic political pressure, allied to further foreign exchange upsets, are

Robert Taylor reports on the price to be paid in adapting to new realities



Britain pushes single market Sweden unties welfare apron strings

By Andrew Hill in Brussels

BRITAIN, which holds the EC presidency, yesterday called on member states to rally round the single market project as an antidote to turmoil elsewhere in the Community.

Mr Richard Needham, Brit-

ish trade minister, told internal market ministers they should make a special effort to complete the barrier-free market and ensure its effective implementation beyond 1992. He said the project was "crucial to gaining, maintaining and building on the goodwill of

our people". But earlier ministers became embroiled in a familiar but fruitless debate about the working language of the proposed European trademark office. The office is supposed to provide a single agency for EC companies to register their rrademarks.

Ministers agreed yesterday that EC leaders should discuss a second problem - the site of the office - at the Edinburgh summit. Similar problems with the location of various new European agencies will also be

The 12 were unable to settle the dispute about whether the office should accept trademark applications in any of the nine official EC languages or adopt a simpler and cheaper system based on the use of English, French and German. The Commission has estimated a ninetongue solution could cost as much as Ecull2m (£80.97m).

'Subsidiarity should not be used to wriggle out of single market commitments'

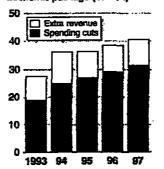
Yesterday's meeting was addressed by Mr Peter Sutherland, a former EC competition commissioner working on a report about how to implement and enforce the market. He maintains states should not be allowed to invoke the concept of subsidiarity to wriggle out of single market commitments. The committee he is chairing is likely to recommend centralised controls to help settle disputes which cannot be solved at national level.

SWEDISH all-party day in active trading and agreement on government cuts and higher taxes - finalised in the early hours of yesterday morning - represents a significant break with the welfare state attitudes that have dominated the country since the Mr Carl Bildt, prime minis-

ter, told the Financial Times last night that although the "vision of the Maastricht treaty was in doubt" at the moment, he wanted to see Sweden - when it becomes a European Community member - as one of the "core countries in With all-party support for

underpinning the exchange rate and a continuing broad political consensus over Sweden's EC membership application, he is drawing considerable comfort from the readiness of his Social Democratic opponents to swallow fundamental changes in the structure of the welfare state as a price to be paid in adapting the country to the new realities of global

The Stockholm bourse share index fell 1.5 per cent yesterEconomic package (SKr bn)



Swedes who are sick will receive no benefit for their first day of absence from work and the amount they get thereafter will be less than before, with a saving to the government of

SKr4.5bn Sweden's foreign aid hudget is also being cut by SKrl.5bn to 0.9 per cent of gross national product from 1.0 per cent.

The cuts in government spending will amount to Skr18.9bn worth of savings next year with a further Skr8.7bn coming through higher taxes (mainly on petrol and tobacco) to

year's budget will be Skr27.6bn but the impact will rise to SKr40.6bn by 1997.

The all-party agreement deals not just with short-term reductions in the still generous range of benefits provided for Swedes. It also makes an important long-term commitment to transform Sweden's health and injury insurance system by shifting its enormous and mounting costs from the shoulders of the taxpayers with a saving to the state of market policies to contain Skr50bn, 3 per cent of gross

domestic product. This reform is expected to go through in the mid-1990s with broad political support. Mr Bildt sees this long-term change as opening up the huge public sector to private market forces and going a long way to begin the necessary reduction in the size of Sweden's public spending as a proportion of gross domestic product which at 56 per cent is the highest in

the developed world. His government has been forced to make some sacrifices

imposed on the further privatithe rest of the present parliament that ends in September

1994, although ministers insist they will still have the final decision on the time-A plan to abolish the wealth tax has been postponed until 1994, as has a proposal to reduce the tax on capital to 25 per cent from 30 per cent.

Nor has the entire Swedish Model been thrown out. All sides remain determined to do what they can through labour unemployment which could rise to 7 per cent this winter.

A further Skr10bn is to be devoted to work incentive and training schemes to provide places or work for 130,000 people, 3 per cent of the jobless. It is estimated this will lessen the cost of unemployment to the state by around SKr4.5bn next

Under the remorseless pres-

sure of outside markets, Sweden's political establishment has been forced to accept that the country must adapt quickly to the realities of ecoin its free-market programmes. nomic and political integration

severe turbulence on the markets and dangers to the fixed exchange rate of the krona to bring about what Mr Bengt Dennis, the Riksbank governor, has been seeking. But after three long nights of argument and hard bargaining a new kind of consensus has

M. J.

emerged.
As Mr Bildt argues: "A few weeks ago I saw severe troubles in parliament on economic policy. Now we will have a comfortable majority for what needs to be done.

Under unpreced ited condi tions, the right-left divisions of Swedish politics have been swept aside, albeit temporarily. Faced by the dangers to the krona the politicians rallied

The immediate response from public opinion has been favourable. A poll carried out by Sifo found 76 per cent in favour of the crisis package and only 11 per cent thought it was bad.

Such popular support for the all-party agreement suggests the end of the old Swedish Model will not be a cause for national mourning.

EC Commission faces a bruising shake-up

About half the 17 commissioners will be replaced in December, reports David Gardner

much as SKr3bn.

the guard at the European Commission - traditionally a lively spectator sport as EC member governments, commissioners, and candidates lobby and intrigue for the few real jobs in the Brussels executive - is shaping up as a rather sombre affair. This is not because the jockeying

for position is less flerce than at previous ends-of-term for the Brussels executive. Indeed, about half the 17 commissioners will be replaced when their four year mandate expires at the end of December. It is the continuing uncertainty

over the Maastricht treaty which has taken most of the fizz out of the spectacle. Whether or not Maastricht ends up being ratified, the Commission not only faces a big reshuffle at the top, but a morale-bruising shake-up throughout its civil service. "The present set-up is hardly tenable," admits a senior Commis-

Hostility towards Maastricht has been fuelled as much by widespread popular perception that "Brussels" is out of control as by what the treaty contains. "We need to send a signal that this is a shrinking bureaucracy, and one that has got the message, says another top official.

Mr Jacques Delors, Commission president, returned from his summer break determined to use the reshuffle as a lever to re-order the executive's priorities, and thoroughly

reform its organisation. Since his arrival in 1985, he has revitalised the Commission, won a reform of EC finances, and offered Brussels bureaucrats an integrationist vision of the single market - and then Maastricht. But to make the bureaucracy work, he has relied on an informal network of capable loyalists, and the prestige and combative projection he himself has given



Ray MacSharry; Carlo Ripa di Meana; Antonio Cardoso Cuncha and Vasso Papandreou: all will be replaced

the Commission But within a maximum of two years from January - the period for which Mr Delors has been reap-pointed by the 12 - this network will be wound down. There is a real risk that an already vulnerable Commission will become invertebrate. Only if the Commission puts its own house in order will it be able to defend itself against increasingly sovereignty-conscious governments, and increasingly irritated citizens, who want to cut Brussels down to

The first outline of the reshuffle of the 17 commissioners is beginning to emerge. Four commissioners are definitely going, seven (including Mr Delors) are virtually certain holdovers: and there are differing degrees of uncertainty about the other six. Not all member governments have made up their minds on

who to nominate. The Commission clearly needs to attract politicians of real standing. Whether it will be able to depends on how Brussels emerges from the Maastricht ratification battle, and how central a role it retains in shaping Europe's future.

Under the more democratic arrangements almost everyone now agrees are essential for the EC to re-establish its popular legitimacy, many argue it is vital to have frontrank figures in the Commission. "We need 'live' politicians," says one senior official, "people with a future who are looking over their shoulders to see how what they are doing is playing with the voters."

The presidential ambitions Mr Delors has nursed in France, this official suggests, are part of the vitality the former French finance minister injected into the Commis-



sion from 1985. Reshuffling commissioners is, at the best of times, like multi-dimensional chess, with each member state's domestic as well as European interests on the board. But this is

Commission into a refuge for displaced politicians - as it was before Mr Delors took over. The Commission's ability to attract depends on how it is reformed, and what the member states want, or will allow it to do. The majority view is likely to end up being that the Commission should do less, and do it better. Mr Delors would probably add that it should have all doubt about its rights to intervene removed by a code of conduct on "subsidiarity".

This would establish clear EC and

national spheres of influence, oblige

not the best of times. An overshrunk

role, moreover, risks turning the

the Commission to demonstrate that Community action is needed because measures would be ineffectual at national level, and require govern-ments to substantiate their objec-

tions in the same terms.

Mr Delors himself wants more formal political control over the Com-mission to be exercised by its secre-tariat general, which operates now as part administrator, and part informal network. A beefed up secretariat would have a purview over four or five central areas of EC policy, such as the internal market, foreign relations and regional policy. It would know what was going on right across the Commission with poten-tial impact in these areas. The object would be to minimise internally contradictory proposals, and the meddling for which the Commission is sometimes fairly, but often unjustly

Most important, the secretariat would assess whether there was a real need for the Commission to bring forward legislation.

Officials and outside experts say about nine of the existing 23 direc-torates general (DGs) are considered ripe for possible re-organisation, merger, or closure, although they warn it could take a long time to get the chemistry right.

Brussels' foreign responsibilities, now spread over several DGs, are likely to be more unified, with responsibility for foreign trade pol-icy conceivably passing to the industry directorate - a pet scheme of Mr Martin Bangemann, the German industry commissioner, to replicate Japan's Miti.

EC structural aid spending, now spread over three DGs, would also be unified more round the regional policy directorate.

The social affairs directorate, now internally divided into three, effortduplicating areas, could be reorganised, and the powerful agriculture directorate could be limited to a core activity of commodity market man-agement, with its internal market and trade dimensions hived off to the relevant DGs.

Such a scenario would probably ad to the closure of four directorates: for small to medium-sized industry; fisheries (if it is amalgamated with agriculture); for co-ordina-ting structural aid; and the ineffectual information directorate.

Resistance can be expected from inside the Commission, and possibly from member states that may feel unfairly treated in the new share out of top civil service posts. But most insiders feel a more powerful impulse will be the Commission's need to fight for its place at the centre of European development.

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FT SURVEYS

International community 'must not turn its back on the poor'

World Bank chief urges aid increase

in Washington

MR Lewis Preston, president of the World Bank, yesterday urged donor nations to give more aid to the poorest devel oping countries and committed the bank to a policy of "people-first environmentalism" in the

third world.
"Donor budgets are tight and events of the past week have created further uncertainties and pressures," he said. But "the international community must not turn its back on the

By allowing aid flows to decline in real terms, the industrialised world was ask-ing the poor "to bear the burden of adjustment in the rich countries as well as in their

Only five of 20 of the richest industrial countries have met the international target of official development assistance equivalent to 0.7 per cent of GDP. Britain and the US are

among the laggards.

illes

Addressing ministers from 167 countries at the formal opening of the IMF/World bank annual meetings, Mr Preston said the real resources of the International Development Association (IDA) - the bank's concessional finance affiliate had to be substantially

increased. The bank is negotiating the tenth replonishment of the IDA, which covers the threeyear period beginning next July. A commitment of about



mum required to maintain the current volume of lending to

However, there are nine new countries eligible for the IDA, including some former Soviet republics, and new calls on resources, including environ-mental pledges made by world aders at the Rio Earth Sum-

The bank fears the commitment to aid is so weak in industrial countries that even the minimum \$18bn target may not be reached. It has been sing for an "earth increment" of about \$5bn to help finance environmental policies but has received little support.

Mr Preston said the most urgent environmental problems were "those that cause illness and death on a huge scale in the developing world dirty water, inadequate sanitation and pollution. Ours must be a people-first environmen-talism."

He said the bank would increase its investment in water and sanitation projects by 75 per cent over the next five years and substantially expand agricultural services and pollution abatement schemes. Spending on social programmes such as health. education and family planning \$18bn (£10.1bn) is the mini- was set to rise by 50 per cent.

Big jump in US housing starts

US HOUSING starts in August showed the strongest increase in 18 months, the Commerce Department said yesterday. Reuter reports from Washing-ton. The annual rate of starts on new homes climbed by 10.4 per cent to a seasonally adjusted 1,237m units. This followed declines of 4.1

and 2.4 per cent in June and July respectively and was far stronger than expected. The bond market fell as investors felt the increase would lower chances of an interest rate cut. The henchmark 30-year Tressury bond lost a full point.

August's increase came after bad weather limited building in the summer. The housing market is being helped by lower interest rates, with mortgage rates near a 20-year

ity picked up strength last nonth, applications for new permits fell by 1.6 per cent to a seasonally adjusted annual rate of 1,063m units. This followed a 4.7 per cent

Although construction activ

increase in permits in July and suggests August's big gain in construction is likely to moderate in coming months.



Painted protest: Students demanding the impeachment of President Collor packed the centre of Rio de Janeiro on Monday night

Collor crisis likely to slow debt accord

By Stephen Fidler in London and istina Lamb in Rio de Janeiro

THE Brazilian government has completed negotiations over a detailed debt restructuring agreement with leading creditor banks in the face of the corruption scandal surrounding Presi-

The agreement, now being examined by lawyers from both sides, will have to be translated into Portuguese and approved by the Brazilian Senate before it goes to all lending banks for final

An agreement in principle was reached on July 9.

However, it may be next year before the accord, which allows banks six options in the restructuring of \$44bn (£24.8bn) of medium-term debt, is

finally completed.

Brazilian officials were quoted by bankers yesterday as saying it would take a month or more to win Senate approval, and the final completion might not take place until next year.

Bankers attending the International Monetary Fund-World Bank meetings in Washington also reported progress between banks and the Argentine government on a \$23bn debt accord. This has been held up as an estimated 80 per cent of banks chose one of the two concessionary bonds on offer - the so-called par bonds which cost significantly more for the Argentine govern-

The government has said that a 65 per cent take up of par bonds would be satisfactory, a figure which leading banks consider reasonable. Now banks have to be persuaded to increase their take up of the alternative discount

Turmoil surrounding Mr Collor is transfixing domestic politicians and is expected to slow progress on the Brazil accord. Furthermore, the government is also out of compliance with an International Monetary Fund standby pro-gramme, which will have to be renego-tiated before banks agree finally to close the deal.

Mr Collor's lawyers were due to present his defence to a congressional commission by last night, but were expected to make no attempt to prove the president's innocence. Instead, in an effort to win time, they were expected to demand that his accusers present

proof against him. Their 20-30 page document is expected to attack the congressional investigation which has implicated the president, question the lifting of banking secrecy and ask for 20 witnesses to be

The commission was expected to reject these arguments on the basis that Mr Collor has already had four months to present his defence and that they are merely presenting a recommendation, while the actual judging of Mr Collor will be done by the

Washington group backs relaxation of Cuba embargo

THE US should exempt tourism and communications from its embargo on Cuba to improve the flow of information and ideas to the country, an influential foreign policy group has recommended

The Washington-based Inter-American Dialogue's task-force on Cuba concluded that such a selective relaxation of the embargo "is the best way to foster political opening in Cuba and more likely than iso-

lation to bring change. This would mean expanding modest steps already taken by the Bush administration, and would include allowing an upgrading of the telephone service between the US and Cuba; permitting all US citizens, including tourists, to visit Cuba, allowing scheduled air flights; establishing direct mail links; and encouraging scientific, academic and other

exchanges.

However, the group – comprising prominent personalities from North and Latin America and led by Mr Elliot Richardson, former US attorney-general - suggested that further relaxation of the embargo should only follow positive steps by the Cuban government towards democracy and respect for human rights.

The task-force, whose report was published last week, said the Cuban government – which has suffered a devastating economic blow from the collapse of communist regimes in east Europe and the Soviet Union - has recently sharply

delaying a multi-million pound

seismic study of territorially

disputed waters in the south

Atlantic because of commercial

objections to the way two companies were initially given

access to the area, write Jimmy Burns in London and

John Barham in Buenos Aires. in July Faikland Islands' offi-

cials announced they had cho-

sen Spectrum of the UK and

Geco Prakla, a subsidiary of the New York-based energy

services group Schlumberger.

to conduct more than £7m in

high technology seismic work

However, the islands' admin-

istration, under instructions

from the UK Foreign Office.

cations for the licences in a

beginning next month.

Protests delay seismic

study in south Atlantic

gainst all dissident groups". But it found no evidence that tightening the embargo and further isolating Cuba would provoke positive change there. Such a policy would be "shortsighted, costly for the people of Cuba and probably counterproductive"

It also rejected the opposite view that the embargo should be lifted entirely: this would give away bargaining chips in negotiations to encourage a change of policy in Cuba.

The task-force said that Radio Marti, the propaganda station relayed to Cuba, should become a source of objective news while TV Marti, whose operation violates international conventions, should be closed. The US should also attempt to reduce Cuba's fear of military attack and start to negotiate concrete accords with Havana over, for example, migration agreements and weather and environmental

US policy towards other countries should not be influenced by their relations with Cuba. The group said it opposed legislation, such as that now being proposed in the US Congress, designed to pro-bibit all trade with Cuba by subsidiaries of US companies

in other countries. The report's likely influence on US policy is still unclear. In obvious efforts to attract exiled Cuban voters in Florida, both main candidates in this year's US presidential election have promised a hard-line stance against the regime of President Fidel Castro.



EUROPEAN PARTNERS WORK TOGETHER ON THE AIRBUS PROGRAMME.

THE UK government is move expected to delay work in the area until at least the

> The Foreign Office said last night the move reflected the UK government's concern that the tendering process should be fair and transparent. "We want the net to be thrown as wide as possible," an official

start of next year.

It is believed the announcement earlier this summer drew protests from other companies, including Ensign, a UK computer analysis company. The companies are understood to be interested in applying for licences but were not fully consuited by the Falkland Islands' government or the British Geological Survey, the UK government-funded research organisation advising island officials.

Long before the concept of 1992 looked like becoming a reality, Airbus Industrie practised European unity and cooperation.

The 4 Airbus Industrie partners are based in France, Germany, the UK and Spain, with associates in Holland and Belgium.

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in 16 countries, who are also contributing to the programme.

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MAIRBUS INDUSTRIE

Russia freezes all trade with Ukraine

By John Lloyd in Moscow and Chrystia Freeland in Kiev

FINANCIAL transactions between Ukraine and Russia, the two largest former Soviet republics, have been frozen since Friday when Mr Viktor Gerashchenko, chairman of the Russian central bank, bowed to pressure from reformers and said he would no longer accept payments from Ukraine.

Blocking Ukrainian-Russian trade, which accounts for about 70 per cent of inter-republican trade, is likely to deepen the recession in most former Soviet republics. It represents another blow to the faltering financial links between the republics of theCommonwealth of Independent States.

A senior official at the National Bank of Ukraine confirmed yesterday that Russia would not accept further payments from Ukraine. The ratio-nale is Russia's contention that by issuing credit to Ukrainian enterprises, which in turn purchased goods from Russia, Ukraine is exporting inflation to its northern neighbour.

These actions will only speed Ukraine's exit from the rouble zone," a senior Ukrainian banker said.

This banking wrangle coin-

gle between Mr Gerashchenko, a conservative thought to favour Russia's powerful industrial lobby, and Mr Igor Gaidar, Russia's reformist orime minister.

Against Mr Gaidar's wishes. on September 10 Mr Gerashchenko signed an agreement with Mr Vadim Hetman, chairman of the National Bank of Ukraine, which was aimed at simplifying payments between the two republics.

Russian reformers have been outspoken in their criticism of the deal which they say would allow Ukraine to sabotage Mr Gaidar's efforts to tighten Russian monetary policy by flood-ing Russia with devalued

Ukrainian banking officials said that Russia shares the blame for Ukraine's runaway emission of credit.

According to Ukrainian calculations, Russian enterprises, feeling the pinch of Mr Gaidar's austerity measures, have amassed a debt of Rbs300bn to Ukrainian enterprise

Mr Viktor Ilin, Ukraine's deputy minister of finance, reacted angrily yesterday to Russia's freeze on payments from Ukraine.

He said the Russian move could lead to mass bankruptcy strophic collapse in trade between Ukraine and Russia. Mr Ilin said the Russian decision was likely to hasten Ukraine's exit from the rouble zone and the introduction of a separate currency.

"Russia is pursuing a protectionist policy," Mr Ilin said.
"Russia seeks to dictate conditions to Ukraine and to force Ukraine into economic dependency.

The financial crisis has highlighted a fundamental flaw in the banking system of the former Soviet Union. While Russia is the only republic able to print paper roubles, the central banks of all 15 former Soviet republics have the ability to

This means that Russia's efforts to tighten monetary policy can be sabotaged by a loose credit policy in any of the other republics. Mr Gaidar has suggested

that the Russian central bank, whose leaders have been giving out credits too readily for government's liking, has let Ukraine pursue policies which fuel Russian inflation. "Of all the former Soviet republics, Ukraine is the most indebted (to Russia). It is absolutely insolvent - a bankrupt state," said an official of the Russian central bank.



NEWS: EUROPE

Yegor Galdar addressing parliament yesterday: fighting flood of devalued Ukrainian roubles

US talks still grappling with Russian debt

By George Graham in Washington

TALKS in Washington have so far failed to resolve disagreements over how to ease some of Russia's debt repayment burden, but ministers and officials remain confident they can still reach a formal debt rescheduling agreement in the next month or so.

Russia must settle a number of outstanding issues with the other republics of the former Soviet Union, while its creditors are at odds with each other on how to structure the rescheduling agreement they hope to conclude at the Paris Club of creditor-nations in

Germany and the US have taken opposite stances on the need for concessions to Russia on its debt problem. Germany, by far Russia's largest creditor. wants tougher conditions than the US, which has relatively little money at stake in any debt deferral.

Over the juridical details of a Paris Club agreement looms the question of economic reality: will Russia earn enough money next year to meet the repayment obligations it will take on? "We want to sign an agreement we can definitely fulfil," says Mr Pyotr Aven,

Russia's minister for foreign economic relations.

He says talks are still proceeding on the basis of preliminary projections for the Rus-sian balance of payments in 1993, which suggest his country could take on a payment schedule that fell within \$2.5bn (£1.4bn). But detailed balance of payments projections are not yet available, "Until we have them, it is impossible to conclude a rescheduling. At the moment, we are mainly discussing ideology." Mr Aven

Among the issues is the reworking of last year's agreement under which all the republics took on joint and several responsibility for the former Soviet Union debt.

Russia has been negotiating with many of the smaller republics to take over their share of responsibility for the debt, in exchange for their abandonment of any claim on Soviet assets, such as embass buildings. But Mr Aven said Russia wants a different agreement with Ukraine, because its share of the debt is too big for this kind of "zero option" treatment. This rearrangement of responsibilities poses problems for some of Russia's creditors, but Paris Club officials are

Rouble plunges amid inflation fear Kozyrev urges bigger UN peace role

By John LLoyd in Moscow

THE Russian rouble vesterday plunged to its lowest rate against the dollar since the Moscow interbank currency exchange opened last year, as fears of galloping inflation

gripped businessmen.
At the end of trading, it had sunk to 241 against the dollar - a loss of 35.5 roubles on last week's level of Rbs205.5 to the dollar. The volume of dollars traded was also a record, at \$68.8m - a sign of the willingness of Russian enterprises to use Rbs15bn to buy the US currency as a hedge against

Mr Yegor Gaidar, the acting Russian prime minister, confirmed in his speech to the opening session of parliament yesterday that inflation had risen to 4 per cent a week or over 20 per cent a month, after falling to around 10 per cent in August. The government lays the blame for the inflationary surge at the door of Mr Victor Gerashchenko, the central bank chairman, who has pumped billions of roubles of credits into industries, and advanced billions more to

other former Soviet republics in the rouble zone over the past three months.

Mr Sergei Glaziev, the deputy minister for foreign economic relations, said exporting companies were not flexible enough to react to a fall in the rouble, so he did not expect exports to rise as a result of fall in the rouble.

Mr Gerashchenko, who took over as bank chairman in July, said then that he would not waste resources on trying to support the rouble. However, according to the daily Izvestia, the bank did try to

intervene in the market vesterday, but could not stop the sharp fall in the rouble.

Rumours have been sweeping the markets that the government will return to a fixed exchange rate of the rouble against the dollar - though neither Mr Gaidar nor Mr Glaziev gave any hint of this yesterday. The maintenance of artificially high exchange rates for exporters had cost the government billions of roubles in subsidies - and these are unlikely to be reimposed at a time of further planned budgetary cuts.

By Michael Littlejohns

RUSSIA yesterday proposed installing "hot-lines" between major capitals and UN headquarters, regular intelligence briefings for the secretary-general and creater use of fact-finding missions to enhance the United Nations capacity to head off conflicts.

In a speech to the General Assembly, Mr Andrei Kozyrev, the Russian foreign minister, said that when political means failed "force may and should be used" to separate the war-

"There is no doubt for us that the United Nations is called to confront violence with force based on law with its capability to 'enforce' peace," he said. "The blue helmets should return fire if and when fired upon."

His hot-line proposal is likely to be welcomed by Mr Boutros Boutros Ghali, who like previous UN chiefs, often has learnt of potential flashpoints only from news reports because the organisation has no intelligence-gathering facility. Stressing the need for

rights, Mr Kozyrev suggested an international trusteeship system to protect national minorities, noting that under the charter UN trusteeship had brought many countries to independent nationhood.

greater attention to human

He appealed for UN help in determining the fate of servicemen of the former Soviet Union taken prisoner during the Afghanistan war.

Stressing that support for the world body required financial commitment, he promised that despite its problems

who refused to join the Serbian

forces have no right to return

10,000 Serb refugees have been

given jobs taken from the local

Croat population, which now

totals only 6,000; or jobs for-

merly held by Croats who either fled, or fought in the

war and did not return. The

latter's houses have been allo-

As a result, many of the

to the region.

\$420m UN arrears as well as another \$30m to UN agencies. Mr Kozvrev also accused the former Soviet republics of Estonia and Latvia of discriminating against Russians and other ethnic groups and said Moscow would keep raising the issue in international bodies.

"Today, ever more often one needs to counter aggressive nationalism that emerges as a new global threat," he said. Democratic Russia strongly rejected any form of chauvinism, whether Russophobia or anti-Semitism, Mr Kozvrev

Notice to Customers National Savings Changes

SAVINGS CERTIFICATES

National Savings Certificates of the 38th Issue were withdrawn from sale on 22 September 1992.

The terms of the 39th Issue, and introduction date, will be announced

Until further notice mature Savings Certificates (including Yearly Plan Certificates) can continue to be reinvested into 38th Issue Reinvestment Certificates up to a maximum of £10,000.

Reinvestment applications should be sent direct to National Savings, Durham using form DNS 502 (available at post offices). 5th Index-linked Issue National

Savings Certificates remain on sale.

CAPITAL BONDS

Series E Capital Bonds were withdrawn from sale on 22 September 1992.

The terms of Scries F, and introduction date, will be announced shortly.

FIRST OPTION BONDS

FIRST Option Bonds were withdrawn from sale on 22 September 1992.

New terms, and introduction date, will be announced shortly.

YEARLY PLAN

The overall return of 7.5% pa on five-year Yearly Plan agreements will no longer apply for applications received after 22 September 1992. A new rate to apply on and from 23 September will be announced shortly.

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Issue C Children's Bonus Bonds were withdrawn from sale on 22 September 1992.

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INVESTMENT ACCOUNT

Beginning on 6 October 1992 the rate of interest earned on the Investment Account will go down from 8.25% pa to 7.25% pa.

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Beginning on 5 November 1992 the rate of interest payable on Income Bonds will go down from 9.0% pa

(The same change will apply to Deposit Bonds - no longer on sale.)



Issued by the Department for National Savings on behalf of the Treasury

Serb refugees suffer the full absurdities of civil war

Judy Dempsey reports from the Baranja in Croatia, where Serbs treat their fellow Serbs as pawns in a policy of ethnic cleansing

RS Stoya Ivcic is a 73-year-old Serb. She lives in Miokevicevo. a small, western Slavonian vil-

lage in central Croatia. Before fighting started here a year ago between Serb irregulars, backed by the Yugoslav army, and Croatian forces, more than 35 per cent of the village was Serb. Today, few

Serbs remain. Some were forced out by the Croats. Others were ordered out of the village by Serb nationalists and the army who sent them to neighbouring Bosnia-Hercegovina. But these innocent peasants, whose fore-bears had lived for centuries in this part of Croatia, found no peace in Bosnia when war

started there earlier this year. They had little in common with the Bosnian Serbs and even if they wanted to return to Croatia, which is no longer at war, they would face intimidation and treatment as second class citizens. Their homes are likely to have been destroyed by the Croat authorities as a means of stopping Serbs from returning to Croatia.

These peasants have thus become pawns in the Serb pol-icy of colonising Serb-con-trolled regions of Croatia aimed at driving out non-Serbs. Over the past six weeks, Serb refugees from Croatia and Bosnia, have been transferred by the Serb authorities to the Baranja, a rich, agricultural region of north-eastern Croatia which

Serb forces seized last year and also affected by the law: those made part of the self-proclaimed Serbian republic of

Kraiina. But even in the Barania. which today is one of the three United Nations Protected Areas in Croatia, these poor

peasant refugees have still to find a place to call their own. This is because the Serb

administration there is determined to prevent Croatia from regaining this part of its north-

cated to the refugees. The policy of colonisation has created tensions between the Serb refugees, local Serbs, the local non-Serb population, and

ern territory: and it is just as determined to prevent Croatian and Bosnian ethnic Serb refugees from leaving the region.
The means used to imple-

ment this two-pronged strategy is a law passed by the republic of Krajina in September 1991. This law stipulates that any Croats from the Baranja who

fought on the Croatian side during the war no longer have the right to return. Moreover, Croats still living in Baranja whose relatives fought in the Croatian army no longer have the right to property, or work,

the Croatian government The influx of refugees and the exodus of non-Serbs has radically changed the ethnic composition of the Baran-ja - to the advantage of Ser-

> Before the war, Serbs made up 25 per cent of the 54,000 strong population, and Croats 40 per cent. During the war, 25,000 Croats and Hungarians fied. Today, Serbs make up 70 per cent of the population, and are close to achieving their aim of an ethnically homogenous

Serb refugees, who are afraid to speak out openly against the local Serb Baranja administraeventually. But they are prevented from leaving the Baranja. It is sealed by the Drava river on the west, the Danube on the east (which runs along the Serb-controlled province of

Vojvodina), and a bridge which spans the Drava to the south. One end of the bridge is manned by UN troops and local Serb policemen; the other end, only by the Serbs. Every one needs a pass to enter and leave the region. In short, the refugees have become virtual

prisoners in the Baranja. This policy of colonisation has created tensions between the Serb refugees, local Serbs, the local non-Serb population,

and the Croatian government. The Serb refugees want to leave. Work is scarce, and besides, they have no roots. The local Serbs want the United Nations to leave so that they can expel the remaining non-Serbs. The non-Serb popu-lation, already denied their rights, want the UN to protect them, get their jobs and homes back, and live in peace. Meanwhile, the Croatian gov-

ernment want all Croat refu-gees allowed back into the Baranja as a means of regaining

control over the region. But the likelihood of any group achieving their goals peacefully are as remote as the guns falling silent in neighbouring Bosnia-Hercegovina, or Mrs Ivcic ever seeing her

Protection for UK troops attacked

THE British Defence Ministry yesterday came under fire from both government and opposi-tion MPs over the amount of protection planned for British troops in the former Yugo-slavia and their ability to respond to attack.

The House of Commons defence committee - called exceptionally during the parliamentary recess - questioned Mr Archie Hamilton, the armed forces minister, over the planned despatch of 1,800 UK

troops to Bosnia, as well as the latest deployments in the Gulf. Mr Hamilton emphasised that the UK had "a very short-term and limited objec-

tive" in escorting UN aid convoys in Bosnia. "We do not wish to see this being enlarged into some sort of peace-making activity," he said. One opposition MP described

the UK effort as "pretty halfhearted". This was after Mr Hamilton repeatedly stated that the British forces would withdraw if convoys became "seriously blocked" or suffered heavy casualties.

Mr Winston Churchill, a Conservative MP, criticised the ministry for not providing armed helicopters or other air cover. Mr Hamilton said he did not expect the troops to come under air attack or be in a position where helicopter gun-ships were needed.

But he accepted that the troops' Warrior armoured vehicles would be vulnerable in the event of an artillery attack and would have "serious difficulties" locating where fire was coming from.

The aim was to secure passage for convoys by negotiation and not by military

Mr Hamilton said Britain was "quite happy" to work under UN rules of engagement, and denied these precluded using superior firepower attacker was identified, troops would be entitled to "fire back with anything they've got".

Major General Roger Wheeler, assistant chief of general staff, said UK troops would carry a card, as they do in Northern Ireland, spelling out the circumstances in which

they might open fire.

NEWS: EUROPE

'causing big water bills'

Environment Correspondent

ENVIRONMENTAL legislation bills across Europe to soar and most Europeans now pay more for water than North Americans, according to a

report published yesterday. The survey of 1992 water prices in 12 countries by National Utility Services (NUS), a consultancy firm, comes after months of debate etween the UK water industry and its regulators over rises in water bills.

European water companies are now facing the burden of complying with EC environ-mental legislation on drinking and bathing water standards passed in the 1980s, and in many cases part of the costs has been passed to households.

The highest jump in 1992 water prices was in Belgium, according to the report, which calculates that the price of water rose by 48 per cent. That outstripped increases in the Netherlands and Norway of 22 per cent, and of 12 per cent in the UK.

In that year, Canada and the US saw rises of only 8 per cent. Increases in France, Finland, Germany, Sweden and the Republic of Ireland were even lower, and Australia saw a rise

of only 0.3 per cent. However, countries which have suffered high price rises do not always have the most expensive water, says NUS. Of the countries surveyed, Germany has the highest prices at just over 78 pence per cubic

The report comments that "the modernisation of eastern Germany has contributed to the high prices and it is likely that water prices will continue to rise sharply".

Germany ranked ahead of Australia at 72 pence, Belgium at 67 pence, France and the Netherlands at around 60 pence, and the UK at 54 pence. The US, Norway and Canada, and 25 pence, were the cheapAs the dispute with jail staff drags on it is becoming increasingly bitter

Prison violence tops French agenda

By Alice Rawsthorn in Paris

THIS morning, the French Justice Ministry plans to hold a meeting in Paris to discuss the increasingly bitter prison officers' dispute. Unfortunately for its hopes of negotiating a settlement, one of the biggest groups of prison officers' unions will not be there.

The Union Générale des Pédérations de Fonctionnaires, whose members include jail staff, announced on Monday that it would boycott today's meeting. Other unions will doubtless follow suit, as they did last week when they waiked out of a national negotiating meeting at the Justice Ministry.

After last week's setback, the French government has been trying to break the dispute area by area. So far it has had little success. The strike is now in its 12th day. Sixty of France's 182 jails are at a standstill and the remainder are affected by stoppages, goslows and demonstrations. Conditions within the jails have deteriorated rapidly. Family visits have been cancelled, as have exercise peri-

ods. Some inmates have been unable to wash. Catering services have been disrupted. Riot police and military squads have been sent in to store order at dozens of jails. Night after night dramatic television footage shows prisoners

rioting on roof tops, dangling burning rags through their

barred cell windows and ram- vide funds to improve security

paging in jail yards. Until this week the prison dispute competed with the Maastricht referendum for the headlines. Now the referendum is over, the government is under even greater pressure to tackle what is probably the most pressing problem on its domestic agenda.

The catalyst for the current dispute was the murder 12 days ago of an officer at Clairvaux high security jail during a shoot-out in which seven

for prison staff. But, this time. the government's softly-softly approach was not enough to assuage the warders' fears.

Prison staff have good cause

to be frightened. The murders at Rouen and Clairvaux were part of a stream of violent incidents in France's overcrowded jails. This month alone there have been two heists in which helicopters landed on prison roofs to whisk away would-be escapees. One succeeded, the other did not.

armed inmates escaped. The latest Paris-Match magazine features a picture of a The latest Paris-Match maga-

The prison population is 'angry, desperate and ready for anything'

lowed a similar incident last Rouen jail died after being attacked by a convict in a cell. The government managed to

end the first dispute by agreeing to the prison officers' demands for more staff and better security. But the Clairvaux shoot-out confirmed warders' worst fears about deteriorating security standards in France's jails and the strikes and stoppages erupted

Mr Pierre Bérégovoy, the prime minister, and Mr Michel Vauzelle, justice minister, immediately offered a formal review of the whole prison sys-

Clairvaux inmate toting a pismonth when an officer at tol which, he claimed, was smuggled into the prison for

> The French government last week underlined the severity of the problem by launching an official investigation into the illegal trafficking of arms in

> The violence is the product of the steady growth of the prison population, which has more than doubled in size over the past 20 years to 50,000 detainees crammed into jails built for 45,000. The system is run by 18,000 prison staff at a ratio of one officer to every three inmates.

Prison staff claim that this They also promised to pro- ratio is too high given that the

overcrowding problem has been aggravated by an increase in fail violence. This reflects the rise in violent crime and also the sharp increase in the number of long-serving inmates since the French abolition of the death penalty in

The official report into the Clairvaux shoot-out described the prison population as "angry, desperate and ready for anything

Faced with this explosive situation, the prison officers' unions are asking the govern-ment to hire 2,500 more staff. The government has created 530 new jobs since the Rouen killing and has promised to more, pending completion of

But after the collapse of last week's negotiations the government invoked its power to suspend striking warders who. as public servants, are not allowed to strike.

The prison unions are refusing to resume negotiations until the suspensions are rescinded. The government has responded by saying that it will not give in to

In the meantime police unions are protesting against the use of their members in prisons, local police cells are filling up with detainees and conditions within the jails are worsening, thereby increasing pressure on the government to end the



DR Bernard Kouchner, above, the French health and humanitarian affairs minister, yesterday accused French doctors of writing bogus sick notes for prison guards, enabling them to continue the strike which has paralysed French jails, Reuter reports from Paris. "One doctor filled out 31 certificates and many wrote out a dozen certifi-

Brussels considers blank tapes levy

By Andrew Hill in Brussels

THE European Commission is examining the possibility of a Europe-wide levy on blank cassette tapes and audio and video

But UK officials believe that, after yesterday's meeting of internal market ministers, the Commission will not go ahead with tabling a formal proposal Mr Martin Bangemann, the EC commissioner responsible

for the single market, asked ministers at the meeting how they might react to a levy. A number of countries are said to favour harmonisation. Germany, France and the Netherlands already have levies, which are supposed to help compensate performers for the widespread illegal tap-

ing of pre-recorded cassettes But other countries, including Britain and Italy, voiced objections. Britain, which holds the EC presidency, is strongly opposed to a levy which it thinks would be superfluous and impossible to

administer. A Commission official said Mr Bangemann was aware of the sensitivity of such plans, but added: "We just want to keep in touch with member states' opinions." The scope of existing levies varies in different member states. The Commission wants to avoid distortion in cross-border trade after internal EC barriers come

down on January 1 1993. Separately, ministers waved through directives which will

on homoeopathic medicines. being held in connection with

Swedish reactors

down for three weeks SWEDISH power utility company Sydkraft said yesterday that emergency repairs to the cooling systems of four faulty nuclear reactors would take three weeks, Reuter

reports from Stockholm. The closures, ordered by the national nuclear inspection board on safety grounds, could cost it up to \$Kr20m (£2.1m).

Pressure rises on Rome to ease austerity measures

By Robert Graham in Rome

ITALY'S three main trade union confederations vesterday began the first of a series of regional four-hour general strikes in an attempt to force the government to soften the impact of higher taxes and social security cuts proposed in

the 1993 budget. The decision to go ahead with the strikes came despite a meeting on Monday between union leaders and Mr Giuliano Amato, the prime minister. Mr bombarded with coins and

take a tough line with the unions over demands for changes in the budget. The strike in Tuscany, called

by the CGIL, CISL and UIL, was widely observed. However, it revealed the growing divide between moderates and militants in the CGIL.

the largest confederation for-

merly dominated by the com-

Mr Bruno Trentin, the CGIL leader, was barracked and Florence by a well-organised group of demonstrators accusing him of betraying the trade union movement. Mr Trentin has only just

been reconfirmed as CGIL secretary-general after handing in his resignation at the end of July to head off criticism for signing an agreement with the government and employers abolishing the system of In the past few days he has

been walking a tight-rope,

appeasing grass-roots protest over government austerity measures and backing the prime minister out of a sense of national solidarity.

Since the budget was outlined last Thursday a number of industrial centres have witnessed spontaneous stoppages. The regional stoppages running until September 29 could foreshadow a national general strike to force the government to water down measures canping pensions, limiting the availability of public health

care and freezing public sector employment. • The government, anxious to head off a possible taxpayers' revolt, said yesterday that all those suspected of involvement

in the country's growing bribery scandal could have their assets seized, Reuter adds. "It wouldn't be good to show bribery suspects appearing to be escaping while people are being asked to pay more taxes." said a government source. More than 70 politicians and businessmen are the public works contracts scandal which began in Milan in February and has spread to all mainstream political parties. Sanctions for those caught up in the so-called Tangentopoli scandal were published in the Official Gazette and now become law. Leaders of the opposition

Northern Leagues, which made big gains in last April's general election, have called for the rich northern regions of Italy

to stage a taxpayers' revolt.



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China to regulate securities markets

By Simon Holberton

CHINA plans to create a national regulatory body independent of the central bank to oversee its burgeoning securities markets which have frequently been hit by turmoil.

Nie Qingping, chief of the stock market regulation divi-

sion of the People's Bank, China's central bank, told Reuters in Hong Kong that a Securities Management Committee would soon be established. It would be fully independent of the People's Bank and have independent authority to regulate China's stock markets.

There are two stock markets in China, one located in Shanghai and the other in Shenzher special economic zone to the north of Hong Kong. Chinese cities from Dalian in the north to Guangzhou (Canton) in the south are competing for the central government's approval to open a third exchange.

Nie said the committee would be modelled on western regulatory bodies, such as the US Securities and Exchange Commission. Its central task would be to bring measured development to China's financial markets.

"The most important thing is to build on what we have in Shanghai and Shenzhen and to continue improving the way the stock markets perform," be

In August the city of Shenzhen was overrun by 1m would-be investors who rioted when they were frustrated in buying application forms to participate in new share offer-ings due to be held over the next 12 months. Allegations of official corruption were widespread, leading senior municipal officials to make public self-criticisms.

The riot underlined the growing need to institute proper procedures in the issu-

But Beijing is likely to have more on its agenda that just the conduct of public offerings of shares. China's securities law is rudimentary as are Its laws concerning the ownership of assets. Both need to be brought into line with international standards if the markets are to develop.

China's accounting guide lines are also elementary. although Chinese companies' desire to raise foreign capital has meant the adoption by some of international accountancy standards.

In July, Hong Kong's Securities and Futures Commission, the corporate watchdog, issued a warning to potential investors in Chinese quoted companies. It reminded them that little investor protection existed in China and that Chinese companies were not required to register a prospectus with regulators in Hong Kong.

Patten warns on airport finance

By Simon Holberton

MR Chris Patten, Hong Kong's governor, hinted yesterday that his patience was running out on the issue of finance for the colony's airport project. Hong Kong's main Chinese

and English language newspapers have carried reports that China would reject Mr Patten's revised financing plans, which built on Chinese proposals for settling the six month dispute. Mr Patten said that it was not possible to work indefinitely on new plans for China to consider. One which maximised Hong Kong's ability to raise debt had been rejected and now an alternative means of funding the HK\$167.3bn (£12.7bn) project was in doubt.

The reports, believed to emanate from a senior official of the Xinhua News Agency in the colony, said China objected to using funds from land sales for the project. See Foreign Affairs feature.

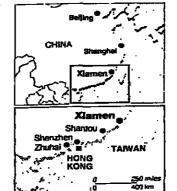
Taiwan sidles in as Fujian heeds Deng's call

Angus Foster visits Xiamen special economic zone and reports on how it is making ground on Shenzhen

N JANUARY Mr Deng Xiaoping, China's para-mount leader, chose to relaunch economic reform from Shenzhen, the special economic zone across from Hong Kong. But his call to "be bolder still", a fitting symbol for the end of of China's three-year austerity programme, was equally felt further up the coast in Fuijan, the province which looks out onto Taiwan, and in its own special eco-nomic zone of Xiamen.

Industrial output in Xlamen increased 14 per cent in the first half of the year, slightly below Shenzhen. But Xiamen has always been a poor relation and Shenzhen was able to rely on Hong Kong's infra-

Like Guangdong before it, Fujian is being transformed by overseas Chinese investors who are finding their own countries no longer compete in processing and labour intensive industries. Taiwanese companies are increasingly visible, following their government's 1987 decision to allow indirect investment in China. Fujian appeals because the same Chinese dialect is spoken



and more than half of Taiwanese people claim it as their ancestral home.

Lu Gongnan, chief of the Xinglin investment zone near Xiamen, said one in four of the zone's 50,000 urban population works for a foreign investor and 20 more factories - making products for export ranging from garments to computers are being built.

Xiamen officials say their policy of *liang di, yi gao*, or keeping wages and charges low and quality high, is attracting

nessmen, average wages of 350 renminbi yuan (£36.50) a month for factory workers and 1,000 yuan for technicians are about 10 times less than in Taiwan, Industrial land prices, which are fixed by the government at 140 yuan a square metre, are several hundred times lower.

Foreign investment totals

are sketchy because some investors hide their place of origin for political or business reasons. Actual investment also often falls below promised investment. Hong Kong companies are still probably the largest investors in Fullan, but some are fronts for Taiwanese seeking anonymity. Mr Han Qinghai, at Xiamen University's Taiwan research institute, estimated Taiwan has invested \$1.2bn in Fujian, half of which is in Xiamen, and \$3.6bn in China as a whole. A fair pro-portion is probably speculative. China's renewed emphasis

on reform has helped increase Fujian's project approvals for the first half of the year by 300 per cent to more than \$1bn. in Xiamen, approvals are up 75 per cent, to bring total promised foreign investment to \$1.2bn. Along the coast, Fuzhou, the provincial capital. Quanzhou, an emerging port and Putian, self styled as Chi-na's "shoe city" because it is home to Nike's Taiwanese subcontractors, are all registering double digit economic growth and even higher foreign investment. Fuqing, recently approved as a foreign investment zone, may also take off if Mr Liem Sice Liong, an Indonesian Chinese, goes ahead with reported plans to invest in infrastructure and industrial

The central shopping district of Xiamen has started to

last congress was held in 1987.

The ruling politburo of China's Communist party has set October 12 as the starting date for the 14th party congress, which will determine

policy for the next five years, Xinhua news

agency said, Reuter reports from Beijing. The

Analysts say the congress is expected to

endorse the economic reform programme of

Deng Xiaoping and let the 88-year-old para-

mount leader establish his political legacy.

tors are sometimes full. Graduates are once again leaving prized jobs in government ministries for the private sector. Rapid economic growth is bringing familiar problems. Investors complain Xiamen's infrastructure is not keeping pace with the changes. Many factories are sending goods by road to Shenzhen, even though it increases transport costs 30 per cent, rather than use Xia-

men's congested port. Taiwan's underground gangs are also believed to be investing in Fujian. Several Xiamen residents said they fear newfound commercialism is underresemble those in Guangdong. mining traditional, socialist

CONGRESS TO START OCTOBER 12

Neither have China's old prob-lems been solved. Mr Deng's call for bolder reform will again switch attention away from the woofully inefficient state owned sector. In Xiamen, this accounted for 40 per cent of industrial output last year, and a higher proportion of government revenues, but continues to make unwanted prod-

Wage inflation has increased to 10 per cent, although wages in foreign-invested factories are kept lower by importing workers from poorer, inland provinces. Nevertheless, most economists agree China's urban inflation rate, which

Xinhua predicted a younger look for China's

leadership. "The congress will elect new central

leading organs and a number of vigorous, out-

standing middle-aged and young cadres who have both ability and political integrity are expected to be elected into the new CPC Central

The Central Committee sets out the party's

course between congresses. The congress is the

broadest-based policymaking body.

Committee," it said.

will emerge as a problem

But two trends, which again mirror developments in Guangdong, suggest Fujian is under going lasting, structural adjustment. Foreign investment is moving away from the hub of Xiamen in search of better incentives or lower wages.

Second, investment has started to flow into tertiary industries like finance and leisure. Eight foreign banks, mainly from Hong Kong, have established branches in Xlamen. Citibank and Dai-ichi Kangyo have representative offices. Taiwanese banks are still prohibited from dealing direct with China.

Two foreign-invested golf courses are being built and for-eign funds, especially from the Philippines, have flowed into the still poorly developed private real estate market. One official, decrying this "real estate fever", said private land prices have risen by 500 per cent in some areas, reflecting the market's inefficiencies as well as a renewed taste for



South Korean investors, upset by a further plunge in the Seoul stock market, showed their anger with the government yesterday by throwing

thousands of share slips into

MR Harshad Mehta, the "Big Bull" broker at the centre of

India's worst financial scandal,

was freed on bail of Rslm

(£20,700) yesterday after 110 days in jail, Reuter reports

from Bombay.

Justice M L Dudhat of the

Bombay High Court ordered Mr Mehta released after his

lawyers claimed he was being

detained illegally in the \$1.2bn

scandal.

reports from Seoul. A sweeper (pictured above) clears up the mess after bemused shoppers had been showered with slins from the windows of a local brokerage firm.

Bombay broker released on bail

who was India's highest per-sonal taxpayer before his

arrest in June, burst into

applause as the judge ordered

Mr Mehta - who faces eight

separate charges of currency

violations, fraud and bribery

- has become something of a

cult figure as the broker who

helped fuel india's most dra-

Following his arrest, posters

matic rise in share prices.

the release.

fallen more than 20 points in two days because of uncertainties in the run-up to December presidential elections. The index was at 519.16 at yesterday's close, a far cry from its

Mr Mehta. He claims he was

being unfairly singled out to

take the blame for the scandal

involving leading banks and securities traders. In an inter-

view published yesterday, Mr

Mehta claimed that 80 per cent

of trading in the Indian securi-

ties market violated central

His release is expected to

boost the Bombay stock mar-ket, which crashed following

bank regulations.

too heavy, says Hurd

By Robert Mauthner

THE United Nations risks being saddled with too heavy a burden of intervention and peace-keeping as the nations of the world were trying to build a stronger system of collective security, Mr Douglas Hurd, the British Foreign Secretary, told the United Nations

General Assembly yesterday. Mr Hurd, who was speaking in his capacity as current president of the European Community's Council of Ministers. said governments should realise that the new emphasis on collective peace-keeping and peace-making would necessitate a restructuring of armed forces and "a massive increase" in the funds which the UN and its humanitarian agencies would require from

member states. Moreover, these new time when many member states faced severe budgetary problems. The best way of stopping these demands from getting out of hand was to prevent conflicts which gave rise to them through diplomacy. Mr Hurd said.

Expressing full support both for the ideas put forward by Mr Boutros Boutros Ghali, the UN Secretary-General, in his "Agenda for Peace" earlier this year, and US President George Bush's latest initiative to strengthen the peace-keeping work of the UN. Mr Hurd said that "preventive diplomacy" was the best way to deal with the world organisation's increasing work-load.

"Preventive diplomacy is quicker, more helpful to peoples about to be embroiled in conflict than the most successful peace-keeping or peace-making operation which follows the outbreak of violence. It is also less costly in terms of lives and cash." The UN secretary-general should be ready to make full use of his powers to draw the attention of the Security Council to any matter which in his opinion might threaten international peace and security. Greater use was being made of fact-finding missions and the EC wanted to

encourage that trend.

Mr Hurd said preventive deployment of troops might take place to deter aggress or conflict between states. Supporting Mr Boutros Ghali's proposal for a peace-

keeping reserve fund, Mr Hurd said that, at the end of August, the EC had provided 40 per cent of contributions collected for various new peace-keeping operations launched since the end of the last General Assem-

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SPECIAL EVENTS

UN burden Domestic economy shows no growth in Japan

By Charles Leadbeater in Takva

THE Japanese domestic economy was virtually stagnant in the second quarter of this year, according to a clutch of official figures published vesterday.

Domestic demand did not grow between April and June, with only net export growth and income from investments abroad pushing the economy to meagre growth, according to figures published vesterday by the Economic Planning

The stagnation in the domestic economy was confirmed by a government survey of household spending in July which found the average household spent Y347,025 (£1,570), unchanged from the same month last year.

Japan's gross domestic product grew by 0.2 per cent and per cent in the second quarter, only because the weakness of the domestic economy was offset by external factors. Economic growth in the short-term hinges on government spending and export performance

Growth in domestic demand was just below zero because higher government investment, which rose by 7 per cent from the first quarter and a modest upturn in the housing market, offset a 2.4 per cent cut in corporate investment, a 20.5 per cent reduction in the rate

of growth of inventories and

stagnant personal consump-

Increased real net exports contributed 0.3 per cent to the overall growth rate. However the growth in net exports was in large measure a reflection of the weakness of the domestic economy because imports fell by 4.8 per cent, a steeper decline than exports which

were 3 per cent down. The other external source of growth was income from investments abroad which con-GNP growth rate.

Domestic demand may have continued to be flat over the summer according to the

household spending survey by

the Management and Co-ordination Agency which found average household spending, before adjusting for inflation, rose by 1.5 per cent in July compared with a year before. With official estimates of inflation running at about 2 per cent, this means real spending is likely to have failen.

Spending on housing rose by about 2.9 per cent mainly because of rent increases. Parents' spending on their children's education has been protected from the recession, with a 3 per cent increase. However one sign of how deep the downturn is starting to bite into family budgets was a 4.9 per cent fall in spending on shoes and clothes and a 0.4 per cent cut in spending on food.

Spending is falling even though the Japanese "salaryman" is yet to suffer a significant cut in his income. Incomes for salaried workers July, compared with a 1.8 per cent cut in incomes for manufacturing workers mainly because of lower bonuses and

Curtain goes up on latest scandal

By Robert Thomson in Tokyo

SPECTATORS queued for seats yesterday for the opening act of the Tokyo Sagawa Kyubin trial, billed as the event that will topple the ruling Liberal Democratic Party or as just another Japanese political

Two former executives of Tokyo Sagawa, the parcel delivery company, are on trial for breach of trust, having allegedly caused damages of Y95.2bn (£435m) to the company by offering illegal loans to gang-run businesses. A third man, the former president of a gang-linked property company, faced similar charges.

But the real interest is whether the hearings will implicate leading officials of the LDP, as Tokyo Sagawa was a prominent donor of political funds and, according to prosecutors yesterday, acted as an intermediary between the party and Inagawa-kai, the gangster group. Mr Shin Kanemaru, the

LDP's self-proclaimed "kingmaker" and head of the party's largest faction, has admitted receiving Y500m from Mr Hiroyasu Watanabe, former Tokyo Sagawa president and one of the three defendants yesterday.

Prosecutors referred several times yesterday to a leading member of the LDP, and without naming Mr Kanemaru, it was clear that they were refer-ring to him, a point made on Japanese news broadcasts last night.

In their opening address in the Tokyo district court, the prosecutors alleged that a cer-tain leading politician had of money from Tokyo Sagawa. The prosecutors also referred

to an incident in 1987, when the leading politician allegedly sought the assistance of Mr Watanabe, through his friendships with gang members, in silencing extreme right groups. which were then running a noisy and embarrassing campaign against the LDP.

It was clear that the prosecutors were putting pressure on Mr Kanemaru, who quit as vice-president of the LDP last month, to either admit that he had violated political funding laws or to at least submit himself to formal questioning over the issue.

Since conceding that he received the Y500m, Mr Kanemaru has stayed at his Tokyo home and refused to visit the prosecutor's office. Meanwhile, his lawyers have negotiated with the prosecutors over whether a written statement would suffice or whether he must appear in person. The unusual stand-off sug-

gests that the prosecutors may be content to pursue Mr Kane maru over the donation, but will leave unexplored some of the more damaging allegations about the LDP's gaug links.
Even if the "kingmaker" is found guilty of that violation. he is liable to a maximum fine of only Y200,000. A more severe punishment

es Mr Watanabe and Mr Jun Saotome, former managing director of Tokyo Sagawa, both of whom pleaded not guilty. However, the third defendant, Mr Munenobu Shoji, former president of Hokusho Sangyo, the gang-linked property company, admitted the charges.

less overtime.

Car output fall worst since 1974

By Charles Leadbeater

THE Japanese car industry, which has been the leading force in the world industry for most of the last decade, suffered its worst month since 1974 last month, according to the Japan Automobile Manufacturers Association.

Output in August fell by 12.7 per cent from the year before to 790,678 cars, the largest annual fall since 1974 at the height of the first oil shock when production plunged 16.3 per cent that August.

Car makers are facing a problem of overcapacity as domestic demand dips and investments in new plant, which were planned during the boom of the late 1980s,

come on stream.

The stall in the industry casts a shadow over much of the rest of manufacturing.

Production of passenger cars fell by 11.2 per cent to 595,826 units, the worst decline for five years. Larger models which had resisted the recession succumbed in August registering a 3 per cent fall. Mini-car production fell by

11.5 per cent to 45,158 units and truck production declined by 17.4 per cent to 190,932

Output at Honda and Nissan fell over 20 per cent. At Nissan a 25 per cent drop in domestic sales and a 16 per cent drop in exports was only slightly off-set by a 7 per cent increase in overseas production.

Toyota contained the cut in its production to 12.4 per cent and Snzuki Motors raised output largely because production last year was at an unusually low level.

Philippines lifts ban on communists

legalised the Communist party. outlawed for 35 years, and freed 48 leftist rebels in an effort to end the insurgency, Reuter reports from Manila. President Fidel Ramos signed a law repealing the 1967

THE Philippines yesterday anti-subversion act which declared the party an illegal membership in it.

The lifting of the ban has been described by officials as a big step towards ending the

Ferdinand Marcos, the late president, had used the law to put tens of thousands of dissidents in jail during his 20-year rule when the guerrillas grew from a ragtag band to an army of over 25,000

Supporters of the 37-year-old appeared on buildings in Bomexposure of the scandal in bay and Calcutta supporting brash and flamboyant broker, Poland Tel: (91) 350 61 Fax: (91) 391 83 FIXED WEEKLY SAILINGS Monday - Tilbury Tuesday - Middlesbrough Friday - Gdynia Containers - Mobile - Conventional Cargo GDYNIA AMERICA SHIPPING LINES (LONDON) LTD. TRANSPORT LTD. PSA Head Office: TEL: 071-253 9561 238 City Road, London EC1V 20L Tix: 23256 • Fax: 071-250 3625 18 Devonshire Street. London W1N 1FS Fax: 071-255 2229 • Tix: 885204

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	(MILLIONS)	(91/90)
TOTAL ASSETS (including commitments and contingencies)	80,350	+13.2
DEPOSITS FROM CUSTOMERS	31,126	+13.5
LOANS AND ADVANCES TO CUSTOMERS	23,090	+14.5
FUNDS UNDER ADMINISTRATION	49,505	+16.9
GROSS OPERATING PROFIT	761	+ 3.2
CAPITAL ACCOUNTS	2,633	+23.7

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Keating fears being shut out of Asian trade

America Free Trade Area

(NAFTA), regardless of the

geographical conundrum that

implies. But the US could

refuse to dismantle existing

barriers to critical Australian

exports to the US like steel, sugar and beef.

gaining the edge in the Asian region is the East Asia Eco-

nomic Caucus (EAEC) which

was an initiative of the Malay-

sian prime minister, Dr Mahathir Mohamad. Here,

however, Australia and New

In Japan this week, Mr Keat-

ing will hear whispers that Japanese business is actively

encouraging the EAEC. This is

despite government officially

supporting Australia's own ini-tiative, the Asia Pacific Eco-

nomic Co-operation Group

(APEC), formed four years ago

as Australia's attempt to

APEC would be the prefered

forum for Australia, and was

seen as helping it to gain clout

in the fight against EC protec-

tionism. Australia has tradi-tionally considered the EC as

the principal offender on cor-

rupting trade in its key

exports, particularly wheat.

But this conviction has been

clouded recently by subsidised

US wheat exports to key Aus-

tralian markets like Kuwait,

APEC's problem is that it is

suspect just because it is

chaired by west-leaning Aus-

tralia. Moreover, if Japan

throws in its lot with the

EAEC, APEC would become

less viable as a free trade bloc.

Yemen and Pakistan.

affirm its Asian links.

Zealand have been left out.

The group which seems to be

By Emilia Tagaza in Canberra

AUSTRALIA'S prime minister. Mr Paul Keating, warned in Tokyo yesterday that exclusive trade groupings in Asia and the Pacific were a threat to open trade in the region.

Mr Keating is concerned over

the various Asian trading groups that are emerging in response to the faltering Uruguay Round.

Meanwhile in Washington, the treasurer, Mr John Dawkins and the trade minister, Mr John Kerin, are also talking bilateral trade, and protesting at the recent sale of 220,000 tonnes of subsidised wheat to Pakistan, a traditional market for Australian cereals.

The ministers' trips come two months after Mr Keating publicly pondered Australia's 'life after Gatt". He has argued that a successful conclusion to the Uruguay Round would be best, but if it failed Australia should explore "Gatt-friendly"

regional arrangements. The problem for Australia, according to a government advisory group, is that Asia's embryonic trade groups see little value in including a small and marginal market like Australia, which is anyway an object of suspicion because of its westernised views on politics and human rights.

The ASEAN Free Trade Area (AFTA), which aims at free trade in most manufactured goods, ignores Australia's main interest, which is farm prod-

The US has invited Australia to join the proposed North

arms talks with Kuwait

BRITAIN is to start detailed negotiations on an arms sup-ply package for Kuwait. The move follows a visit there by Mr Malcolm Rifkind, British

defence secretary.

Discussions have included possible sales of tanks and armoured vehicles, and there has been speculation that a package might also include aircraft such as Hawk Jet fighters, as well as naval ves-

Vickers' new Challenger 2 battle tank recently underwent trials in Kuwait in a competition to supply about 200 tanks. This deal would be worth up to £1bn (\$1.77bn). Kuwait is known to be keen to diversify its sources of arms to avoid relying solely on the

Yesterday's agreement is aimed at moving talks forward after a wide-ranging memoran-dum of understanding on UK-Kuwaiti defence co-operation. The understanding was signed

in February.
A British consortium linking the Vosper Thornycroft shipyard with the construction companies Taylor Woodrow and Wimpey has already been selected to rebuild and upgrade Kuwait's main naval base, a project expected to be worth up to £200m.

Mr Rifkind, who has also been discussing pending arms sales to Saudi Arabia, said yesterday that Iraq still posed a threat to stability in the Gulf region and also expressed concern about Iran's arms

Britain in | Beijing encourages Tokyo trade links

China is set to be Japan's second biggest trading partner, Robert Thomson writes

N the past few days, Toyota Motor has expanded links with a Chinese car maker, a group of Japanese trading houses agreed to develop a new Chinese industrial zone, and a transport company, Sankyu, announced plans for a network of trucking routes and warehouses in northern China. The surge of Japanese

investment interest in China is matched by the flow of trade between the two countries. The flow is such that China is on the verge of becoming Japan's second most important trading partner, from fifth place last year, and it is likely to consolidate this position in coming months.

China's leaders, sometimes wary of an over-dependence on Japan, are encouraging the trend. Li Peng, the Chinese premier, told Japanese executives last week that they could explore for oil in the country's far west, which is an important military region and has been off limits to foreign companies.

Next month, Emperor Akihito wili visit China and, in his understated way, apologise for the past and laud the future. In retrospect, the emperor's visit may be seen as marking the year in which long-sceptical Japanese companies became convinced that China would realise at least some of its much-touted commercial potential.

Trade between the two countries rose by 26.6 per cent in August, compared to a year earlier, as the Chinese Government continued to encourage rapid economic growth and Japanese companies, struggling to find customers at home, were eager to capitalise on the flourishing demand from companies and consum-

Sino-Japanese trade Figures are annual % changes Japan's imports from China 33.3 Japan's exports to China

For two of Japan's troubled sectors, the electronics and car industries, China has been a source of increased sales when most other markets, even south-east Asia, are flat or falling. Exports of electrical equipment are 20 per cent higher so far this year, while exports of transport machinery have

almost doubled. After having been behind the US, South Korea, Germany and Taiwan as Japan's leading trade partner, and aside from a Taiwanese statistical blip last month, China has overtaken all but the US, still by far the most important market. Sino-Japanese trade, in which China runs the surplus, does not include exports to Hong Kong. which are rising sharply and often find their way to

southern China. The unofficial trade is particularly heavy in consumer electronics, some of which are subject to a 100 per cent duty in China. It is convenient for Japan that many of its exports do not appear in official statistics, as some Chinese Commu-nist Party elders still have a rather simple view of trade and regard a country with which China has a deficit as an "exploiter".

Since China launched its economic reforms in late 1978, the trade flow has been characterised by surges and sudden halts, as Beijing turned on or off the tap of foreign exchange. Fearing that the government was losing control of the economy, central planners simply stopped issuing import licences or cancelled allocations of hard currency.

However, Japanese industry is growing in confidence that the current rapid growth will endure. Asked to list influences on their attitude to investment, companies frequently cite the crushing of the pro-democracy movement in June 1989 and the ensuing durability of economic reform.

After the Tiananmen brutality, China's economic policies were under concerted attack by elderly conservatives intim-



Li Peng: go-ahead on oil

idated by the nace of development and by the ideological compromises inherent in the free market policies. Attacks were routinely made against "pernicious foreign influence", giving the impression that the open door" was on the verge

of closing.
But the door has remained open, confirming perceptions that the endless political infighting in Beijing is having increasingly less impact on economic policy. A second reassuring conclusion is that political power has drifted away from Beijing to the provinces, where local officials are often ready to do business regardless of the fluctuating editorial tone of the People's

Mr Yoshiharu Nonaka, general manager of the China sec-tion at Marubeni, the trading house, said that Beijing bureaucrats should be given credit for their handling of the economy, which was over-heated in 1988, but now

appears to have entered a eriod of sustained growth. He said the stronger yea was prompting his company to look for suitable joint ventures in-car parts production: "We areare looking for these opportunities. Our problems in trade with the US also mean that we have to diversify as much as

A manager at Sanwa Bank responsible for China business said that there does appear to be a clear distinction between the Communist Party's concerns about being faithful to ideology and its desire for

rapid modernisation.

We can see that political and economic factors are now separate in China. We have to be a little bit cautious, but we are also confident," he said.

The Japanese are certainly more confident in committing their money to China, as actual investment rose from \$349m (£197m) in 1990 to \$579m last year, according to Ministry of

Finance calculations in Tokyo.
The Ministry of International
Trade and Industry (Miti) expects the rate of increase to continue through this year and that, in the longer-term, Japa-nese manufacturers will be under extreme pressure to cui costs by producing more components in regions such as southern China or the area around Dalian in the north.

Investment in production facilities abroad was disrupted by the "bubble" economy of late 1980s, when spiralling domestic growth boosted earnings, as did the easy money to be made on financial markets. These factors lessened the incentive to find cheaper suppliers outside the country, and led to increased investment in areas such as Kyushu, the southernmost of Japan's four main islands.

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GLOBAL SECURITY

Egyptian reactor deal for **Argentina**

By Fergus Nicoll in Cairo

THE Egyptian Atomic Energy Authority has awarded a contract to build the country's first nuclear reactor in more than 30 years to the Argentinian company Investigaci Aplicadas (INVAP).

Egypt's only existing nuclear plant, built by the Soviet Union in 1961 at Inshas (55km north-east of Cairo), is to be dismantled. INVAP won the tender for the 22MW research plant over

rival bids from General Atomics, the US group, Atomic Energy of Canada, and a Franco-German consortium of Siemens and Framaton. Mr Maher Abaza, Egypt's minister of power and electric-

ity, said the five-year project will cost \$44.47m (£25.1m), plus \$16.6m for sub-contracted construction and locally-manufactured compo

Work on the first phase will begin before the end of the

Korean order for Canadian reactors

Canada's nuclear-power indus-try has received a badly-needed boost from a South Korean order for two Candu heavy-water reactors built by Atomic Energy of Canada. writes Bernard Simon.

The order, placed by Korea Electric Power Co, is valued at C\$950m (£452m). The reactors will have a 700MW capacity and are due to come into oper-

Italians to build plant in Moscow

Tecnimont, the plant-building subsidiary of Italy's Ferruzzi-Montedison group, has won a \$200m turnkey contract to build a polypropylene plant in Moscow, writes Haig Simonian in Milan.

US Air Force order goes to UK group Canadian armed forces also By Paul Betts,

Aerospace Correspondent

THE US Air Force yesterday confirmed the award of a \$50m (£28.2m) contract to Slingsby, the small Yorkshire aircraft maker, to supply in partner-ship with the US Northrop group up to 113 Slingsby T67 Firefly training aircraft.

Slingsby, a subsidiary of ML Holdings, originally won the US Air Force contract last April. The deal was frozen by the US authorities after protests by unsuccessful bidders that the US Air Force had not followed its own criteria for selection of the new training aircraft. Slingsby was among six bidders for the contract to replace the US Air Force's fleet

of Cessna T-41 aircraft. ML Holdings said yesterday that the General Accounting Office of the US Congress had rejected all the protests, clearing the way for the contract to supply 113 Firefly single-piston-engine training aircraft to the US Air Force. This year the Los Angeles in December.

selected the Firefly as its primary training aircraft.
Slingsby teamed with North-

rop, the US defence contractor to compete for the US Air Force order. It will be prime contractor, supplying Firefly airframes from its North Yorkshire plant, for assembly in the US by Northrop.

• EVA Airways, Taiwan's first private international carrier, yesterday confirmed a \$345m (£194.9m) order to Boeing for two 747-400 passenger jets, writes Luisetta Mudie in Taipei. This follows previous firm orders for six of the widebody jets, and two extra

The airline, an Evergreen Group subsidiary, began operations last year with a fleet of Boeing 767-300ERs, flying to destinations in the Asia-Pacific region, and to Vienna. EVA will take delivery of the first two 747-400s in November, and will use the aircraft on its first trans-Pacific service to

Whisky group acts against Portuguese

By Jimmy Burns

WILLIAM GRANT & SONS, distillers of the internationallyknown Glenfiddich and Grant's whisky, has taken legal action against the Portuguese distrib-utor of a rival Scottish company to prevent it marketing gin and vodka under the brand name Grant's.

Several crates of spirits were seized on Monday from warehouses and retail outlets in Lisbon after William Grant & Sons had been granted an injunction against the Portuguese company Scorbebe which had been distributing on behalf of Glen Cardine Bonded Warehouse.

The move follows similar legal action taken in May in a Scottish court against Glen Cardine and two associated companies, A. Bullock and

Company (international) and

William Morton. A spokesman for William Grant & Sons said it had gone ahead with the latest litigation because the other companies had refused to stop producing and selling products under the Grant's name, and were threatening to expand their market penetration in Southern

Aire-based Glen Catrine is one of the three leading Scottish low-strength whisky producers. It was recently embroiled in a public controversy claiming that an EC directive discriminated unfairly against low-strength

whisky.
The company has a bottling plant and bonded warehouse at Catrine, a distillery in Loch Lomond, and a warehouse division in Glasgow.

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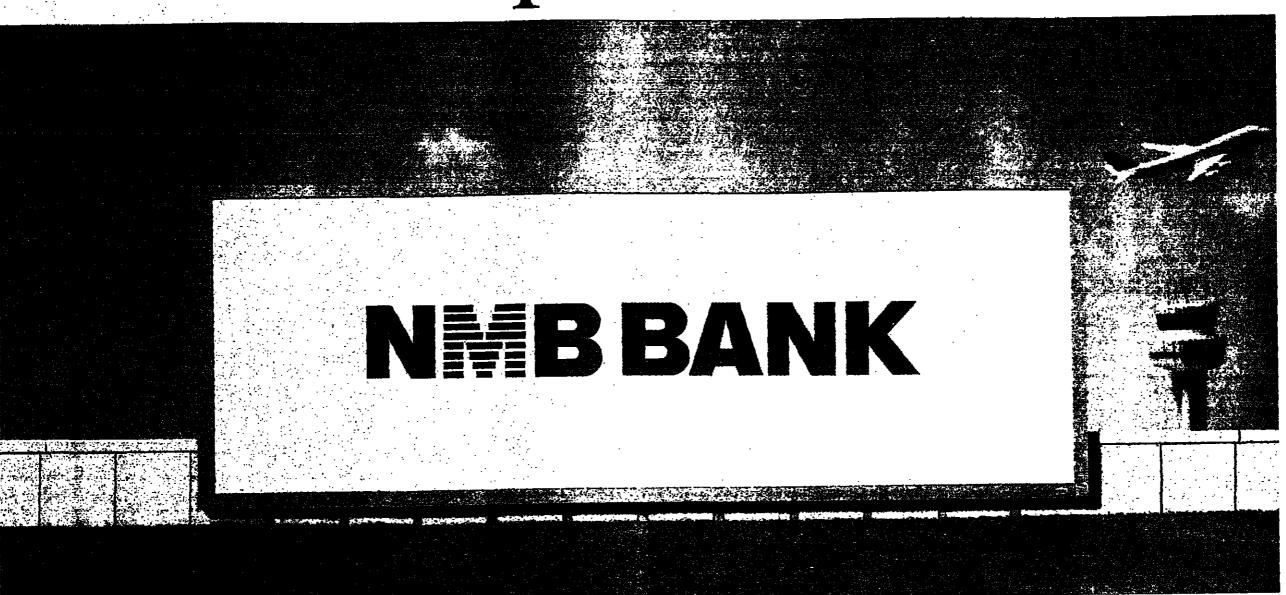
Tenders are invited for a firm Gas Supply of Natural Gas to various premises within the West Yorkshire Police Authority area.

Tender documents and premises profile can be obtained from the Force Purchasing Officer at the above address, marked 'Firm Gas Supply'.

(A fee of £25 will be required for tender documents).

FINANCIAL TIMES WEDNESDAY SEPTEMBER 23 19

Departure.



Arrival.



NMB Bank has changed its name. We are now ING Bank, or in full, Internationale Nederlanden Bank.

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Internationale Nederlanden Bank

acts



Supervision failed after insolvency ■ 'Funny money' deals found ■ Co-operation from officials lacking

Manx government neglected regulation

THE CHADWICK report into the collapse of the Manx bank in 1982 was finally published vesterday after six years of

The 500-page report is an indictment of the regulatory role of the Manx government. which according to Chadwick was so poor that the task of surpervising the island's growing finance sector could not be

softened by the passage of time and financial reform on the Isle of Man, but the report, by Mr John Chadwick QC, will be eagerly read by the 3,000 depositors who between them lost £42m - including many local

Mr Chadwick, who was appointed by the Manx High Court to find out the truth. tells the story of the bank's collapse in full for the first time. Supervision failed when quarterly returns showed the bank as insolvent, but it was allowed to go on trading. The report also notes that

the government's public stance that the truth should come out was not matched by co-operation from officials. The report says it was unable to find some important documents.

Rumours of shredding during June and July 1982 are likely to have substance."



The inspectors assisting Mr the time, "declined to tell us hadwick - Mr Tim Beer, of whether there was some sys-Chadwick - Mr Tim Beer, of KPMC Peat Marwick, and Mr

Michael Jordan of Cork Gully - found no record at the Manx Treasury of analyses or comment on the bank's quarterly returns and said the process of supervision under the island's banking act could not be carried out without that. Mr Peter Duncan, the Treasury official responsible for supervision at

tem within the Treasury for analysis and comparison of quarterly returns," the report

"If there was no system of this nature, it appears to us the finance board was in practice quite unable to carry out the task of supervision as had been set under the banking

Mr John Chadwick QC: his report on the collapse of the Manx bank is an indictment of the island government's regulatory role The report also refers to

"funny money" deals done by Mr Duncan on his own account and says it is a matter for serious concern that a Treasury official should have been prepared to indulge in such mat-

The inspectors said many of the Manx bank's transactions could be understood only in cerned had persuaded themselves that the evasion of tax agement ability and in many was a legitimate objective concases assumed virtually the whole financial risk. Most of doned in the Isle of Man". Mr Robert Killin, managing the back-to-back transactions director of the Manx bank, told we have identified had a fiscal the inspectors this central eleor illegitimate purpose.

"Transactions of this nature ment of his work "received some measure of encouragewere used to hide the identity of the true lender or investor. ment from the government". "SIB was to engage in vento facilitate the falsification of ture financing to a degree company accounts or to disto its own resources and manwhich have been acquired or

great extent the board of directors were little more than pup-Even when Mr Killin felt he could not cope with the vari-

retained illegally."

ous troublesome accounts he felt he could rely on Mr Gray to eventually put it right. The bank had very heavy lending to customers such as Mr Gilbert Hunter, Mr Michael Morris and Mr Kenneth Fincken, who were using the

Isle of Man to raise

funds, mainly for property

Mr Killin told the inspectors that all big decisions required the approval of Mr Victor

Gray, the beneficial owner of the bank, and that "to a very

In early 1981 Mr James Raper, chairman of the Gasco conglomerate, began borrowing from the Manx bank to support his bid for St Piran, the Cornish mining group.

The bank had been insolvent for 16 months before its collapse, but its dealings with Mr Raper precipitated a final run on its funds when Mr Gray tried to seize Mr Raper's St Piran shares as security. The bank closed on on June 25. 1982. Rescue attempts by the bank's directors, owner and the Manx government failed.

The Savings and Investment Bank Ltd: Investigation under section 5 of the Companies Act

Royal Insurance, Roywest

and Coutts are among the big

operators that have moved in

or expanded. Clerical Medical

Insurance has won a Queens

Award for Export from its Isle

of Man base, while Barclays

Bank has set up international

Concert party that led to crash

By Sue Stuart and Ian Hamilton Fazey

IN THE winter of 1979-80, the keover Panel decided that St Piran, a Cornish tin mining company, was controlled by a concert party of companies run by Mr Jim Raper, chairman of the Gasco conglower-

It ordered him to bid for the remaining 8m-plus shares at 85p each. Mr Raper could not raise the money, and the com pany's shares were suspended in May 1980.

In April 1981, Mr Raper box-rowed £3m from Savings and Investment Bank for 12 months to buy St Piran. Gasco had agreed to buy nearly 1.2m St Piran shares at 50p, conditional upon a similar offer being made to all other shareholders. Mr Raper best off a 60p a share counter-offer from Burmah Mines, promising to match it.

By October 1981, the bank gave Gasco a revised loan and overdraft facility totalling £5m, secured on St Piran's sbare capital.

Mr Raper believed he had until September 1982 to repay the amended loan; but the bank thought that the original date of April still applied. Mr Raper did not know that the bank had been insolvent since the previous April.

Like Mr Raper, Mr Victor Gray, the bank's owner, believed St Piran would be worth between £16m and £20m if its shares could be reactivated, and he had found a

likely buyer. In December 1981, Gasco defaulted on interest payments and asked to reschedule the loan. The bank demanded that Gasco repay the outstanding loan and interest. Mr Raper refused, and in March 1982 the bank obtained an injunction from the English High Court preventing Gasco removing £7m of assets from the court's jurisdiction.

Mr Raper failed to pay up-Early in June, Mr Gray told him he wanted the St Piran shares but Mr Raper issued a oress statement that he was breach of the loan agree-

That started a run on the bank, which soon crashed, unable to repay £42m of depos-

itors' funds.

Unconfessed sins await purge through payment

types of people on the Isle of Man – the native Manx and the "come-overs". The latter were immigrants, sometimes rich and mainly from England. If they did not like the island's way of life and customs, the Manx retort was simple: "If you don't like it, there's a boat leaving every morning.

As one well-heeled English come-over put it last week: "I realised early on this was a foreign country. Whingeing come-overs, or those who try to change things, do not do well

"I decided to go with the grain and find a Manx partner to work with for my business deals. It has worked well."

He did not want to be named, fearful of falling foul of the network of native islan openly referred to as the

Two things are precipitating change, he said - a flood of technocratic come-overs who have taken over the island's

finance sector, and the collapse 10 years ago of the Savings and Investment Bank with £42m of depositors' funds.

The Manx bank crash shook the island to its millennial roots and Tynwald, the Manx parliament founded by the Vikings, put in tough supervision for the finance sector. That achieved what Tynwald had wanted all along: serious investment by respectable banks and insurance companies that knew they were not oing to be tainted by a milieu that encouraged crooks.

Last year's census shows that for the first time the percentage of the population who are come-overs is now just over 50 per cent. That will not last. because most of the come-overs are professionals whose children, born on the island, are a new generation of native Manx people. Moreover, a further type of islander has appeared - the "come-backs". These are

native Manx who emigrated, succeeded, and have returned to play an active part in island life. They rarely returned in

Mr David Cannan worked in Sri Lanka and Malaysia before settling in England, where he owned several retail properties and became a Conservative county councillor in Berkshire. He joined the come-backs in 1980 and was elected to Tynwald after the Manx bank crash. As finance minister in 1987 he called in the Metropolitan Police fraud squad to investigate the Manx bank and, together with Mr Miles Walker, then the new chief minister, insisted that the

truth be disclosed. The two eventually lell out politically - Mr Cannan is a Tory while Mr Walker is much nearer to being a social democrat - but the truth about the Manx bank finally came out yesterday with publication of

the Chadwick report, delayed funds - some of it "black" because a fraud trial connected with the Manx bank's deals in Britain was not completed until last month.

Even at 10 years' distance,

Ian Hamilton Fazey on changes in the Isle of Man finance world in recent years

the report is unpalatable. In 1975 Tynwald decided to expand the island's finance sector to counter chronic depopulation and decline in its traditional industries of tourism, farming and fishing. However, in a community

the size of a small English market town, politicians were part-time amateurs and soon found themselves in a sea of complicated offshore tax law alive with sharks. They failed to see the danger and had no budget for serious supervision and there was no one capa ble of carrying out that super-

The island became an easy place for speculators. Some obtained banking licences and dipped directly into depositors'

money carried to the island in cash by tax evaders in Britain and Ireland - to speculate, mainly in land and property in the L'K.

Savings and Investment Bank was not a "bad apple" -four other "banks" also crashed on the island in the early 1980s. But Savings and Investment Bank had a disproportionate impact, because about 2,000 of its 3,000 depositors were honest, innocent local savers.

Regulatory failings meant there was no political will to allow the truth to emerge until the government changed in 1987 That proved fatal to punishing the bank's principals ist them were dis delay in bringing them to trial was judged unreasonable.

Most believe such a thing could not happen again under the strict regime run by Mr His toughness has encour-

Jim Noakes, chief executive of the Financial Supervision Commission. For example, anyone trying to deposit more on the island has to prove where it came from. Mr Noakes believes offshore

Photograph: Ashley Ashwood

finance centres are a necessary adjunct of international marketplaces such as London, Tokyo or New York, but that they must be properly policed. He says: "What drives off-shore centres is the ability to exploit differences in international tax laws. You can do this openly and many respectable financial and insurance

companies do so. But where you get people doing it in secret, where you missed in 1990 because the are not likely to encounter much punctiliousness by the authorities, people with dubious records will try to take advantage of it."

and money transmission operations on the island and grown from under 100 staff to 260 in four years. The finance tor accounts for 30 per cent of the economy and 14 per cent of jobs, with just as many in professional services such as accountancy and the law. Mr Noakes says the influx has brought professional competence and high ethical stan-

dards, while there has been a shift in the nature of deals from the personal to the institutional.

fesses its sins over Savings and Investment Bank and purges them by paying fair compensation to depositors, Mr Cannan for one thinks its image will always be tainted.

For the future such a stratnentation in the short term is

COLLAPSE OF BCCI

Abu Dhabi releases papers

By Alan Friedman in Washington

THE Government of Abu Dhabi, the majority shareholder of the collapsed Bank of Credit and Commerce International, said yesterday it had released important BCCI documents to US investigators and invited US officials to visit Abu Dhabi in the next two months.

Meanwhile, in London the opposition Labour party warned the UK government that there must be a thorough review of banking regulation once the results of the inquiries into the collapse are A 600-page US Senate report

on the BCCl affair is due to be published today and is expected to be sharply critical of the role of the Bank of England. A report by Lord Bingham is now likely to be published in the week commencing October

The pledge of co-operation from Abu Dhabi, which Con-

gressional critics claimed was part of a public relations campaign aimed at deflecting criticism, comes days before the expected publication of a 789-page BCCI report by Senator John Kerry, the Massachusetts Democrat who has led Senate investigations of

Abu Dhabi is also keen to make its case ahead of the UK publication of Lord Bingham's BCCl report.

Among those who had previously claimed Abu Dhabi had failed to provide adequate co-operation on the BCCI case were the offices of Mr Kerry and of Mr Robert Morgenthau, the Manhattan district attorney who in 1991 first brought fraud charges against BCCL

Although Abu Dhabi has claimed it was "the single big-gest victim" of the BCCI fraud, it is understood that the role of the BCCI majority shareholder has been under investigation by Mr Morgenthau's office. Spokesmen for Abu Dhabi at

the Washington public rela-tions firm of Robinson, Lake, Leter & Montgomery said the documents were being made available to officials of the US Department of Justice, the Federal Reserve Board and the office of Mr Morgenthau.

Senator Kerry last March criticised Abu Dhabi's use of Robinson Lake because Mr James Lake is also the dep uty manager of the Bush reelection campaign.

Senator Kerry has called on President Bush to sack Mr Lake, who serves as a US adviser to the Abu Dhabi Investment Authority (ADIA), one of the key investment vehicles used by Sheik Zayed Sultan Nahyan to hold majority control of BCCL

A spokeswoman for Mr Lake dismissed Senator Kerry's criticism and denied there was any conflict of interest in Mr Lake's helping to manage the Bush campaign while also to representing BCCI's biggest

Executive pay rises lowest for 25 years

By Catherine Milton,

PAY rises for UK executives have fallen to their lowest level for 25 years, according to research published yesterday. The report by P-E Interna-tional, the research company, found that in the six months to September 1992, median salary increases for top managers were running at an annual rate of 5.5 per cent. The figures suggest that recent high profile pay rises

for some company directors are not the norm. Executive pay rises have remained no more than about 2 per cent above inflation since the recession began in

Before then, average increases had run at twice the rate of inflation since 1983.

Car production goes from 0 to 130,000 in 14 weeks

Kevin Done on the work rate at the Nissan plant

HE NISSAN car assem-bly plant at Sunderland will reach its planned full production of 130,000 Nissan Micra cars a year by mid-November, only 14 weeks after the first Micra was completed. The Japanese car maker claims that this is the fastest production build-up for a new model achieved in the motor

industry in Europe, Nissan's rivals Honda and Toyota start up their first European plants in coming weeks - also in the UK. Nissan lags behind Toyota and Honda in North America and behind Toyota in Japan, but it has stolen a significant march on them in Europe.

While Honda and Toyota will still be feeling their way at their Swindon and Derby assembly plants next year with slow rates of climb in output, Nissan is planning to raise its UK production to 270,000 cars in 1993 from 175,000 this year

European car makers are watching the development of the £900m Sunderland plant with a mixture of fascination and trepidation. Nissan is setting new standards for productivity and efficiency, which are unmatched in the European industry and already bear comparison with some of the best plants in Japan.

Mr Ian Gibson, managing director of Nissan Motor Manufacturing (UK), claims that "on quality we are as good as any volume car plant in Japan, on productivity we are around the middle of the Japanese league table, but we are in the top half".
International comparisons of

car plant productivity offer a minefield of complications – no two plants are the same, model specifications differ widely and the level of integra-tion in the manufacturing operation can vary hugely. But step by step the motor industry is becoming more used to shared definitions for the "hours per car" expended in the production process. Whatever the argument over details, Nissan's claimed achievements are alarming for

its European competitors. Mr Gibson savs Nissan requires 12.5 hours per car for its Primera large family car and 10.5 hours for the new Micra supermini. The hours measure so-called direct labour in the body welding, painting and final trim and assembly parts of the operation, a group of processes which are becom-ing established as a standard definition in measuring car plant productivity.

However car makers differ on how they measure hours in their own plants, the size of the competitive gap is startling for European producers trying to catch up on Japanese rivals. Mr Gibson says the "best of the Europeans" need about 20 hours per car for the Primera's competitors. The average in

Europe may be closer to 30. The start-up of production of a second car range at Sunderland shows that Nissan's European facilities are much more sophisticated than the "screwdriver plant" once feared by the European industry.
In addition to a fully fledged

car plant with metal stamping, body welding, paint shop and final assembly, the Sunderland site includes engine machining and assembly, an aluminium casting plant and a plastics blow moulding plant. Nissan's workforce has climbed to 4,600. but the total at the site including suppliers for components such as seats and some pressed metal parts exceeds 6,000. Component suppliers have

begun to cluster around the facility - Nissan lists 27 auto-motive suppliers in the north-east of England compared with 3 when it arrived in 1986. This proximity of suppliers allows Nissan to take "justin-time" supply of components to the plant a stage further to what it calls "synchronous

supply" - some parts are only delivered to the assembly line just as they are needed. Nissan claims that Sunder-

land has shaved its average inventory for European-originated parts to 1.6 days, five times better than the next best in Europe and well ahead of the industry average of 20 days. The target next year is to get the figure down to one day. All car makers are buying a growing share of components from outside suppliers, but the

Nissan plant is already at a

high level with 75 per cent of the cost of the car paid to outside component makers. Nissan expects to spend £850m in Europe next year on components — compared with £240m worth of components (including freight and insurance) to be bought largely from suppliers in Japan. Transmissions, engine blocks and fasteners are the most important items still imported from Japan. Nissan's component

£575m this year. It now has a network of 195 suppliers in Europe of which only 12 are wholly-owned Japanese companies or joint ven-tures with Japanese producers. The Micra will have a European content - according to the government's formula of factory gate price minus the value

purchases in Europe have

climbed from £220m in 1990 to

of non-European components
- of more than 80 per cent. The original Micra design concept came from Japan, but Mr Gibson claims that "more than half of the design and development for the car to be built and sold in Europe" was carried out by the company's European R&D operation and

by its European suppliers. By 1996/97, Nissan expects that about 60 per cent of its forecast European passenger vehicle sales of 700,000 will be built in Europe either in the UK or in Spain. It forecasts that vehicle sales this year will

Britain in brief



in Whitehall The veil of secrecy over the UK government machine is lifted a notch today with the publica-tion of the first edition of a

lift secrecy

new guide to Whitehall. Produced with the encouragement of Sir Rohin Butler, the head of the civil service (the government administration), Dod's Whitehall Companion provides information on 980 top civil servants, ministerial advisers, regulators

and executive agency chiefs. Apart from a reference to Mrs Stella Rimington, head of MI5, the domestic security service, information is given about the Security Commission, which deals with civil service leaks, and the Security Service Tribunal, which investigates complaints against the security service.

However, there is no entry for Sir Colin McColl, her counterpart at MI6, the secret intelligence service.

The guide also discloses pre-viously unpublished informa-tion about the responsibilities of individual civil servants, including those working in the Cabinet Office and at No 10 Downing Street.

US Workfare plan rejected

The UK government has rejected on cost grounds calls from Tory back-benchers to introduce US-style Workfare this autumn whereby the long term unemployed loose entitlement to benefit unless they take up training or community

The viability of such a policy has been investigated over the summer by the Department of Employment.

egy is not ruled out but impleconsidered too difficult because of the multiplicity of schemes which would be required.

Durables total still rises

Levels of ownership of consumer durables have continned to rise despite the recession, according to the preliminary results from the 1991 General Household

The biggest year-on-year rise was for compact disc players - 27 per cent of British households owned one in 1991, up from 21 per cent in 1990. There were also further surges in ownership levels for video recorders and microwave ovens: 68 per cent owned a video (64 per cent

in 1990) and 55 per cent a

microwave (50 per cent in Ownership remained static for cars (67 per cent), washing machines (87 per cent) and televisions (98 per cent). However, there was a further switch to colour TVs from black and white (down from 5 to 4 per cent).

BA posts go

British Airways has abolished more than 500 supervisor posts
as part of a flexible working
deal agreed with trade unions representing almost 4,000 engineering and maintenance staff at Heathrow, Gatwick and Glasgow airports. Former supervisors will be absorbed into teams with a specific area of responsibility.

The move is consistent with recent research by the Confederation of British Industry and the National Economic Development Council. Both criticised the competence and development of Britain's more than 1m supervisors who have a significant effect on produc-

BA's approach to the matter fits in with recommendations that the job of supervisor should be rethought. Some functions should be transferred to management and others to production team leaders.

National Westminster **Bank**

National Westminster Bank announces that with effect from 22 September 1992 its Base Rate is reduced from 10.0% to 9.0% per annum.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

National Westminster Bank Plc 41 Lothbury London EC2P 2BP

High imports push trade gap to £1.2bn

RECORD IMPORT volumes pushed Britain's trade deficit sharply wider last month, while sluggish world economic activity took its toll on export

Official figures yesterday showed that the underlying deficit on visible, or merchan-dise, goods was at its worst level for two years after import volumes rose to their highest ever levels, and export vols Clattened off.

The overall deficit on trade in visible goods rose to £1.2bn last month compared with £1.1bn in July. The current-account deficit - which includes a projected £100m surplus on trade in so-called invisible goods such as financial services, government transfer payments and dividends -- was £1.1bn in August, barely changed on July.

However, both figures benefited from a striking increase in Britain's surplus in oil trade, which rose from £48m in July to £233m in August, the biggest surplus since September 1990.

The underlying picture was much bleaker. Excluding oil of the figures confirm that the and erratic items such as precious stones, ships and aircraft, the visible trade deficit was £1.7bn last month, its worst level for two years and £300m greater than in July.

N OR OUT of the European

exchange rate mechanism,

vesterday in the hour

Britain cannot ignore Ger-

many. That point was under-

after the 1-percentage-point cut

in UK base rates, when the

pound fell 1% pfennigs on

news of a large growth in the

rates to 9 per cent caused wide-

spread relief among politicians, mortgage holders and industri-

alists, the signs that inflation

subdued slightly damped

expectations about the scope

for further cuts in borrowing

That said, yesterday's reduc-

tion in base rates to their low-

est level since June 1988 would

not have been possible were

Britain still an ERM member.

That will no doubt cheer the

large number of anti-ERM Tory

backbenchers as they listen to

Mr Norman Lamont, the chan-

esbank, the German M3 mea-

sure of the money supply grew

9 per cent in the year to last

debate on the economy.

is still far from

While the drop in UK credit

German money supply.

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The latest figures from the Central Statistical Office will add to worries that import penetration is too high in the UK. Britain has remained in deficit with the rest of the world throughout the present recession in spite of weak consumer

Other CSO figures last week showed that the current-account deficit for the first half of the year was almost £6bn, only £0.5bn less than the Treasury's forecast for the entire year in the Budget.

Last week's sterling devaluation is likely to boost import prices in the short term, but should eventually buoy exports as British goods become cheaper to overseas buyers. However, an export boom might be stifled by weakness in the economies of Britain's main trading partners.

A breakdown of the UK's trade by area shows that exports were down almost everywhere in the latest three months. The value of exports to the European Community fell by 4 per cent compared with the previous three months, and to the US they were down by 1.5 per cent.

The three-monthly measures underlying trade gap is being widened by flat exports and continued growth in imports. In the three months to the end of August export volumes, excluding oil and erratics,

ago, and fell by 1.5 per cent compared with the previous

The same measure of imports shows that they grew by 7.5 per cent year on year, and by I per cent quarter on quarter. The weakness in export volumes was spread across most categories, although exports of basic materials, capital and intermediate goods suffered particularly

Import gains were also wide-spread. Volumes of car imports rose by 20 per cent in the three months to the end of August compared with the same period a year ago, while imports of consumer goods rose by 13 per cent. Imports of chemicals

were up by 9 per cent. Mr Robin Cook, shadow trade and industry secretary, said the "yawning trade gap" was evidence that the government's policies had "failed Britain and destroyed Britain's industrial base".

He added: "There is no precedent anywhere in our economic history for a rise in imports during a recession. If imports go up while demand is on the floor, Britain is in for a monster trade gap if recovery ever comes.'

The Treasury said the drop in export volumes was not surprising given the slowdown in

Germany casts shadow over fall in rates

Peter Marsh says that despite sterling's ERM exit, Europe still affects the UK economy



-	Current Balance	Total	Less oil and ematics	Exports	imports	Invisibles Balance
1990	-17.0	-18.8	-21.1	102.0	120.5	+1.8
1991	-6.3	-10.3	-13.6	103.4	113.7	+4.0
. Qtr 2	-0.5	-2.2	-3.0	25.9	28.2	+1.8
Obr 3	-1.3	-2.4	-3.5	26.4	28.8	+1.1
Qtr 4	-1.7	-2.6	-3.5	26.2	28.8	+0.9
1992						
Qtr 1	-2.9	-3.0	-3.5	26.1	29.2	· +0.2
Qtr 2	-2.9	-3.2	-3.9	26.7	29.9	+0.4
Jan	-1.1	-1.1	-1.3	8.3	9.4	+0.06
Feb	-0.9	-1.0	-1.1	9.0	10.0	+0.06
Mar	-0.8	-0.9	-1.1	· 8.9	. 9.8	+0.06
Арг	-1.3	-1.4	-1.5	8.8	10.2	+0.1
May	-0.7	-0.8	-1.2	9.1	10.0	+0.1
June	-0.8	-0.9	-1.2	8,8	9.7	+D.1
July	-1.0	-1.1	-1.4	8.8	g.9	+0.1
Augus	t -1.1	-1.2	-1.7	8.8	10.0	+0.1

economic stability.

Relief for home owners welcome

and David Barchard

HOUSEBUILDERS, mortgage lenders and estate agents wel-comed yesterday's interest rate cuts but warned that it was only a small step in the right direction.

Mr Neville Simms, chief executive of Tarmac, Britain's biggest housebuilder, said that it would take much more than 1 or 2 points off interest rates to stimulate a recovery in Britain's depressed housing market.

Tarmac, which yesterday announced a £15m first-half pre-tax loss said that it planned to cut the number of homes it builds by up to a fifth next year.

"Interest rate cuts, although important, will not on their own encourage people to rush out and buy homes when they are concerned about whether they might have a job in six months' time," Mr Simms said.

The government will need to introduce measures other than just interest rate cuts if it wants to get confidence back in the housing market and economy as a whole."

The Building Employers Confederation said it was looking for a further I-percentage-point cut in base rates as soon as possible.

It said: "Having freed itself from the ERM straitjacket, the government should seize the opportunity of taking bold and positive steps to stimulate the economy, beginning with the housing and construction sec-

The confederation wants the government to raise the ceiling for mortgage tax relief from £30,000 to £60,000 and remove stamp duty from house

purchases. Housebuilders have pointed out that the US housing market remains very weak even though US interest rates have been cut to 3 per cent and mortgage rates to 6 per cent.

Mortgage lenders, although interest rate reductions, also remain cautious about pros pects of an early revival of the housing market.

They say prices are likely to remain depressed even when sales start to recover - such is the large overhang of unsold properties waiting to come on the market.

At least 70,000 repossessions

are expected next year, in addition to 40,000 unsold repossessed homes on the books of the mortgage lenders. Mr John Wriglesworth,

housing analyst at stockbrokers UBS Phillips & Drew. said: "The best that can be expected is that house prices may stabilise next year.

"People are not going to rush back into the market." Leeds Permanent, one of only two societies that pressed ahead with mortgage rate cuts of 0.75 per cent yesterday, nonetheless described the cuts as great news for borrowers

The Royal Institution of Chartered Surveyors is due to publish a survey of estate agents on Thursday, which will show that the depression in the housing market is deeper than ever.

It said: "The cut in base rates will help relieve the pain for hundreds of thousands of mortgage pavers.

Lenders to cut 0.75 of a point off mortgages

By David Barchard and Philip Coggan

BUILDING societies yesterday prepared to trim their mortgage interest rates by about 0.75 of a percentage point in the wake of the latest cut in base rates. National Savings responded

by cutting the returns on its variable products by 1 per cent and withdrawing its fixed-rate products from sale. Northern Rock, the 11th-larg-

est building society, and Leeds Permanent, the fifth-biggest, broke ranks with the rest of the industry by reducing their

rates yesterday. Leeds Permanent's mortgage interest rate went down from 10.70 per cent to 9.95 per cent with immediate effect for new borrowers and from next month for existing bor-

Northern Rock cut its rates from 10.75 per cent to 9.99 per cent. The reduction will save a customer with a £50,000 mortgage about £55 a month.

The other large mortgage lenders indicated that they were contemplating similar cuts in mortgage interest rates but said they would wait to see how the money markets settled before making a move.

Abbey National and Halifax. the two largest UK lenders, both indicated that they would be making reductions, but declined to say when. Halifax said it would "wait to see how the money markets settle" before deciding what cut it would make in its mortgage

Mr Mike Blackburn, chief executive of Leeds, said: "The antics of the last few days must have left people pretty angry and bewildered, so a rate cut will go some way towards making them feel better."

Some lenders said that they hoped there might be a second cut in base rates before long, enabling them to lower rates even further in the near future. Mr Peter White, chief execu-

tive of Alliance & Leicester, the fourth-largest society, said: We will almost certainly be making a cut of about % of a percentage point. We hope that it will cause a revival in the market, but we are also hoping that there may be a further 1 per cent cut which will bring rates down to 8 per cent and

Mr David Roebuck, chief executive of Barnsley Building Society, said: "At last we have

enable mortgage rates to drop

guered housing market. We can expect lower mortgage rates to stimulate activity.

A cut of 0.75 of a percentage point in mortgage rates will mean that mortgage lenders have slightly widened the margin between their rates to borrowers and those to investors, restoring them to a full l percentage point above base

That brings the margin on their lending back to where it was in February when Abbey National trimmed its margins to % of a percentage point, forcing other lenders to follow

The latest round of cuts may not be equally good news for all types of mortgage lenders. Societies now show signs of moving towards a new set of interest charge bands for mortgages. The losers are likely to be first-time borrowers and customers with very large mortgages who may find that the discounts they have been offered up until now are largely eroded.

The rate on the National Savings investment account will fall from 8.25 per cent to 7.25 per cent, as from October 6, and the return on income bonds will drop from 9 per cent to 8 per cent, as from Novem-

The products withdrawn from sale from 5.30pm yesterday were: 38th issue of fixed interest certificates: Series E Capital bonds; First Option bonds; Issue C Children's Bonus Bonds; and the Yearly

New rates will be announced shortly. There will not necessarily be cuts of 1 percentage point across the board because of the tax-free nature of many of the products.

The 5th index-linked savings certificates, which pay a taxfree 4.5 per cent plus inflation if held for five years, remain on sale.

The attractive rates offered by National Savings products aroused controversy during the summer when building societies claimed they were suffering outflows of capital because of "unfair" competition. National Savings promptly reduced the return on the First Option Bond and made across-theboard cuts in August.

During the current financial year, National Savings has raised about £2.4bn, helping the government to fund the public-sector borrowing

Industry wants fresh action on inflation

By Michael Cassell, Business Correspondent

INDUSTRY yesterday welcomed the reduction in interest rates as a step towards economic recovery but called on the government to maintain its downward pressure on infla-

Sir Michael Angus, Confederation of British Industry president, said the cut was "fully justified" by the weakness of the real economy and exceptionally low inflationary pressures. He called for a freeze in the public-sector pay bill and urged the government to give priority to capital projects.

The Engineering Employers' Federation also called for a shift of public resources into nt and infrastructure. rather than into consumer

Mr Neil Johnson, directorgeneral of the federation, said: The previous reason for high rates, the danger of inflation, has not gone away.

Mr Peter Morgan, Institute of Directors director general, welcomed the cut and urged Mr Norman Lamont, the chancellor, to make a further 1-percentage-point reduction as soon as possible.

Mr Lamont, he added, had to be tough on public spending in order to control inflation. The Federation of Small Businesses said rates had to be cut back to between 5 per cent

that upward pressures on German prices remain strong will almost certainly increase the resolve of the Bundesbank to keep high its internationally important Lombard rate, so influencing the cost of credit in most European countries, ERM members or not: Even so, Mr Lamont now has

the luxury - denied him since Britain entered the ERM nearly two years ago - of almost totally with reference to domestic economic conditions. Yesterday he showed his determination to make utmost use of the opportunity. Since Black Wednesday,

when the pound suffered extreme turbulence on the for eign exchanges and Mr Lamont suspended the UK's ERM membership, the chancellor has had to keep only half an eye on the level of sterling

Thus it was that Mr Lamont cellor, in tomorrow's Commons was able to shrug off sterling's mid-morning fall, which saw the pound touch about DM2.52, According to yesterday's announcement from the Bundbefore recovering to close in London at DM2.5450, up % pfennig on the day - about 23

By David Barchard

£325m in July.

BUILDING SOCIETIES enjoyed

their best month so far this

year in the savings market during August. More than

£327m flowed into building

society accounts in the month,

compared to an outflow of

The improvement came after

the government twice lowered

rates on National Savings

products in order to ease mar-

ket pressures on the societies.

well above the central bank's DM2.778 lower limit which 5.5 per cent target. That signal applied during ERM member-

> likely to cut the cost of mortgages for virtually all Britain's 10m home buyers. They will also ease borrowing conditions for tens of thousands of busisses. As a result, the move may speed recovery from the UK's longest peacetime recession since the 1930s. Mr Lamont decided on a cut

during discussions with Mr ter. The final go-ahead was given after talks at 8.30am yesterday at the Treasury between the chancellor and his senior advisers. They included Sir Terry Burns, Treasury permanent secretary, Mr Andrew Turnbull, Treasury monetary expert, and Mr Eddie George, Bank of England deputy gover-

Those people judged that the level of the pound, as it stood yesterday morning, already reflected the possibility of a cut in base rates, minimising the chances of a significant fall after the cut. Also the signs of severe weakness in the UK which has economy appeared flat for the past six pfennigs below the pound's

months – fully justified an easing in credit policy. Inflationary conditions in Britain The 9 per cent base rates are which have eased considerably during the past few months of the recession, are thought to impose only a tiny threat to

The crucial question now is whether the direction of interest rates is firmly down, or whether considerations related to German credit policy, plus the require-John Major, the prime minis- ment to maintain restraints on UK inflation, will hold up any further moves to cut borrowing

To keep up the spirits of Tory backbenchers, Mr Lamont will almost certainly want to follow up yesterday's move with a further cut in rates later in the year, possibly before the Conservative party conference which starts in Brighton in two weeks' time. But Mr Lamont emphasised yesterday that the UK remained committed to bearing down on inflation, and would put up borrowing rates should signs of large inflation-

ary pressures reappear. Also the government cannot afford to ignore the exchange rate. If the pound falls too far

the final instalment of regional

electricity company share

building society industry con-

tinued to languish in August.

Net lending was unchanged

from July at £1.7bn, but new lending — loans agreed but not

yet paid out - fell sharply to £2.4bn from £3.4bn in July.4bn.

end of the temporary suspen-

sion of stamp duty on August

12. Since then, societies say,

mortgage lending has been

extremely subdued.

The fall probably reflects the

The mortgage side of the

against the D-Mark, inflationary pressures might increase because import prices would be higher. Assuming the government is paying more than lip service to the goal of rejoining the ERM when market conditions are more settled. Mr Lamont will not want the pound to fall too far out of alignment

with the German currency. All that means, in the eyes of many economists, that Britain would be ill-disposed to see sterling fall much beneath around DM2.5.

Against that, the continuing sharp pressures yesterday on many of the remaining eight currencies in the ERM including the French franc added weight to theories that the mechanism may soon have to undergo a fundamental readjustment or even be scrapped altogether to take into account the recent market turbulence.

If the ERM is not long for this world, Mr Lamont can be forgiven for not spending too much time worrying about Britain's future place in it. On those grounds, the constraints on further cuts in interest rates may be somewhat less

Societies now hope that the

mortgage market will recover

as a result of yesterday's cut in

base rates — although it will

take some months for the

long-term effects of the recent

money market turbulence and

consumer uncertainty about

interest rates start to become

The July net outflow of

£325m was one of the worst for

the industry since September

1986, when there was an out-

flow of £673m as savers with-

drew money to take part in the

Societies log good savings figures

and the housing market.

"It is a step in the right

direction which we hope, as soon as ant-inflationary policy allows, will be followed by fur-

MORTGAGE REPAYMENTS

Rate at 10.70%										
MORTGAGE SIZE	ENDOWMENT	REPAYMENT								
£50,000	£378.96	£417.08								
260,000	£468.13	£513,87								
£70,000	£557.30	£610.66								
280,000	£646.46	£707.45								
£90,000	£735.63	£804.24								
£100,000	£824.80	£901.03								
£120,000	£1003.13	£1094.61								
£150,000	£1270.63	£1384.98								
£200,000	£1716.46	£1868.93								
Ra	ate at 9.95%	-								

	Rate at 9.95%	
£50,000	£352.41	£395,10
£60,000	£435.33	£486.55
£70,000	£518.25	£578.01
280,000	£601.16	£669.46
£90,000	£684.08	£760.91
£100,000	£767.00	£852.37
£120,000	£932.83	£1035.28
£150.000	£1181.58	£1309.64
£200,000	£1596.16	Σ1766.91
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year, it was still well below the

level usually regarded as nor-

mal, and Mr John Wrigles-

worth, building society analyst

at UBS Phillips & Drew,

warned that it meant that soci-

eties would continue to face

difficulties with funding. Mr Mark Boléat, director

general of the Building Societ-

les Association, welcomed the

improvement, saying the figure

was substantially higher than

a year ago. However, he

warned that the September

savings figure might be down

again because of payments for

Susan Jacobs of Trident: "Business needs sensible, well-paced reductions in the cost of money"

Riding the business rollercoaster

By Michael Cassell

SUSAN JACOBS gathered her disbelieving workforce around her last Thursday as base rates hit 15 per cent and punched the new cost of money into her desktop computer.

"Their eyeballs were coming out of their heads." she says. Their first concern was the impact on their mortgages, which was horrific. The effect on the business would have been terrible and immediate, but I knew interest rates like that just could not stick."

Miss Jacobs is the managing director and part-owner of Trident Tubes, a small, north-London-based company specialising in the repair and maintenance of scaffolding. Jokes about shoring up the economy have been only too easy in the past week - but she says a sense of humour has been essential.

For the past seven days she

on the interest rate "big dipper", holding on tight and praying that the ride would With interest rates moving

up from 10 per cent to 15 per cent and then down to 9 per cent, she says she is in no hurry to repeat the experience. She is naturally pleased that interest rates have ended lower than they started, but says it is too early to calculate the damage such turmoil may have inflicted on fragile business confidence.

Miss Jacobs, previously a financial consultant, started her company in 1989 when she tried to get some aluminium welding work done on her Triumph Trident motorcycle. The prices quoted suggested the work was highly profitable and she decided to open an aluminium scaffolding repair busi-

She has no regrets, although the company has been suffering as scaffolding hire companies - which are her core customers - have suffered in the recession and cut costs. That has often meant them carrying out their own repair work. Some of Trident's customers

have gone bust, although the company has managed to keep had debts to an absolute minimum. But in recent weeks before last week's traumatic events - turnover had started to rise as painters and decorators won more business. The beginnings of recovery, she says, were in the air.

Then came Black Wednesday: "Fifteen per cent interest rates were obviously not sustainable. Even so, we were preparing to work ungodly hours to muster what business we could in the hope of at least standing still."

Now Miss Jacobs hopes that the lowest interest rates for more than four years will further stimulate business recovery. But she wants the government to keep an eye on

inflation and to rule out big cuts in interest rates.
"We tried that in the late

1980s and look where it got not need another boom. Business needs sensible, well-paced reductions in the cost of money and, above all, continuing sta-

She thinks cheaper money will help to maintain the investment levels needed to keep the workshop efficient. There is also a chance that it will bring nearer the day when she takes on one or two additional employees.

Miss Jacobs expects to end this week in a more optimistic mood than last. "But business is still not sure what will happen next week, never mind next month," she adds.

"I expect conditions to remain erratic for the next few months at least. We will have to watch and wait. Perhaps after Christmas things will be

must have rattled more loudly than usual when John Major announced details of his Citizen's Charter a year ago. Every civil servant was to be affected; not only were they expected to provide a better service, their pay would depend on it.

The government made clear that it wanted a rapid extension of performance pay and more delegation of decisions on pay to departmental

Performance pay has long been a feature of the private sector: recent surveys have indicated that more than two-thirds of private sector companies have performance pay schemes for at least part of their white-collar workforce. However, the link between pay and performance in the public sector has, until now, been relatively limited. The Citizen's Charter proposals amounted to the most significant reform in a decade in the way the pay of 500,000 civil servants was to

be determined. While the politicians had a broad view of what they wanted to achieve, the detailed work fell in large part to pay negotiators in the Treasury. One year on, as the Civil Service pay round ends, these negotiators should be reasonably satisfied with their efforts.

Initially, all five of the main trade unions either opposed or had strong reservations about increasing performance pay and the devolution of bargaining. Four of the unions have now agreed to deals incorporating both elements; the fifth, the Inland Revenue Staff Federation, has tacMichael Smith assesses the Civil Service salary scheme

Bureaucrats are called to account

itly agreed to performance pay from

From the government's point of view, the price of the unions' agreement has not been high, particularly when compared with the experience of many private sector employers: higher than normal pay deals often have to be paid in industry in the year that new bargaining rrangements are introduced. Virtually all the Civil Service

deals this year have been around 4 per cent. While the increase is higher than inflation, it is still at the bottom end of what is permissible under a long-term pay formula
- linking pay to the middle 50 per cent of rises in the private sector. In effect, little if anything has been paid for the changes. There are three reasons why all of

this suggests competence, rather than miracle working, on the part of the Treasury and Inland Revenue negotiators.

• Few employees want to take industrial action during a recession, however much they may oppose their employers' wishes. Only one Civil Service union, the National Union of Civil and Public Servants. seriously threatened industrial action but was unable to win members' support.

• The new Civil Service pay sys-

tem is considerably less of a threat to unions than many schemes in the private sector. Some employers bringing in performance-related pay have sought, at the same time, to derecognise unions. In the Civil Service there has never been any suggestion of this. Under revised long-term agreements, the unions will continue to negotiate national pay rises each year. Civil servants will depend for only some of their annual rise on performance and the rest will come automatically, as a result of the national negotiations. • The new system has been sold by union leaders to members as an improvement over an earlier, more limited scheme introduced in the

late 1980s. Says Barry Reamsbot-

tom, general secretary of the Civil

and Public Services Association, the

largest Civil Service union: "Under the previous system, civil servants generally had to wait five years for a payment. Now there is something every year."

Union leaders have had a strong interest in playing down the less advantageous aspects of the scheme, knowing that, ultimately, the government was prepared to force the changes through.

middle-ranking civil servants, performance-related payments will merely replace increments that they would have received under the previous systems, equivalent to between 4 and 6 per cent of

None the less, there will be something extra, generally a further percentage point, for civil servants whose performance is judged to be in "box two". There are five boxes altogether on assessment forms, ranging from box one for excellent, to box five for unsatisfactory.

Box one performers will receive a

n the case of most junior and POWER BEDYLE

> some in box four will receive no performance award at all. For senior civil servants including senior professionals and what used to be known as assistant secretaries and principals - perfor-

> further two percentage points. Man-

agers will also have the discretion

to award one-off payments, which

mance pay will be more at the discretion of managers and structures will be less rigid.

IT SEEMED THE FAIREST WAY TO

MEASURE CIVIL SERVANTS PERFORMANCE

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are not consolidated into salary. test of the new systems has yet to The downside for civil servants is that box five performers and even

That at least is the theory. The

come. Their success will depend in large part on the ability of departments to develop performance appraisal systems which are both seen as fair by staff and are robust enough to indicate whether performance really is being improved.

step for Manpower By David Goodhart itchell Fromstein, head of the world's biggest employment scrvices

One small

company, Manpower International was in Havant, Hampshire, last week to witness a small revolution for the UK labour market.

The deal between the UK Manpower subsidiary and IBM that brought Fromstein from Milwaukee involved just 92 employees. But unlike most of Manpower's temporary staffing arrangements, IBM was handing over to it complete responsibility for the staffing and management of a new national centre for service calls.

Instead of merely supplying. say. 10 computer operators to a company for three months, Manpower in Havant is itself deciding the staffing and supervising requirements for the service call centre, following performance guidelines laid-down by IBM.

What Manpower calls "managed staff contracts" are not entirely new, indeed the first one involving the manufacture of ice cream - was established four years ago. There are now nearly 30 in the UK - including all non-professional staff at the Department of Social Security in Lecds - and more than 100 in the US. As in normal temporary contracts, staff are directly employed by Manpower but usually stay for much longer periods with a single employer on the longer-term managed contracts.

But for Manpower, there are two specially significant points about the Havant deal. First, it has been struck with IBM, a company with a highly-developed human resource management strategy of its own. Second, it involved a brand new unit rather than just taking over responsibility for the human "software" of an existing plant.

The deal is on cost-plus terms for Manpower but IBM manager Mike Coleman says that it will provide significant savings for his company in cash and management time.

Manpower says that the request to take over more and more responsibility for units of staff is market led. "It wasn't our idea but the thing is now starting to mushroom - we've got about 50 projects in the pipeline in the UK," says Fromstein. The "managed" staff contract" has come of age. "

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Just as Gogol, the great 19th century writer, combined descriptions of elaborate Russian cuisine with a satire of cracy, so does the

MOSCOW like its bureaustory of business entertaining in modern Russia.

In the latest innovation of the Russian tax inspector - as absurd as the content of Gogol's play "The Government Inspector" - you can only set entertaining expenses against your tax bill if your guest signs a statement naming his company and confirming that you fed him on business

This is partly to do with the fact that despite a big increase over the past few years of decent places to eat out in Moscow, business lunching remains a concept imported from the west. As Russia switches back to capitalism after seven decades of communism, a lot of the power lunching in Moscow is still done with or between foreigners.

The older generation Russians

Quick bite for lunch when you're Russian Levla Boulton continues our series on the art of business entertaining



Moscow business lunching remains a concept imported from the west.

are more used to the old system where the main official entertaining was done by state trading and industrial organisations at long banquet tables. At such banquets,

which are held increasingly by new-style businessmen, the vodka flows freely, endless toasts are pro-posed and business deals are elabo-rated in strolls out in the corridor.

But the old guard is by no means averse to being taken out for a tete-

à-tête lunch or supper. A modicum of tact, however, is required, particularly if the invitation is being extended to Russian officials by foreign women in a country where notions of male gallantry are still very conservative: women can do the heaviest jobs but are not supposed to carry heavy objects or pick up tabs.

At the other end of the scale, western-orientated "yuppies" in government and business will tell you they are too busy to sacrifice two hours in the middle of the day to be softened up. "You foreigners like going out to lunch, but can't you just stop by the office to tell me what you want," is the response I have heard more than once.

One restaurant that tries to cater for such attitudes and still pull in customers is the Marco Polo which

advertises 40-minute business lunches for \$18 (£10) a head.

The basically alien nature of business lunches is underlined by the fact that most of the new restaurants are joint ventures with foreign partners or Russian restaurants which charge hard currency. Some of the most prestigious and

expensive establishments are attached to hotels managed with foreign participation, like the Savoy or Metropol, where a three course meal with wine will cost at least \$100 per person. Purely Russian establishments like the Traktir Arcadia, which

offers decent food and drink in roubles for a tenth of the price charged at the Metropol across the road, are still few and far between. The Kropotkin 36, the first pri-

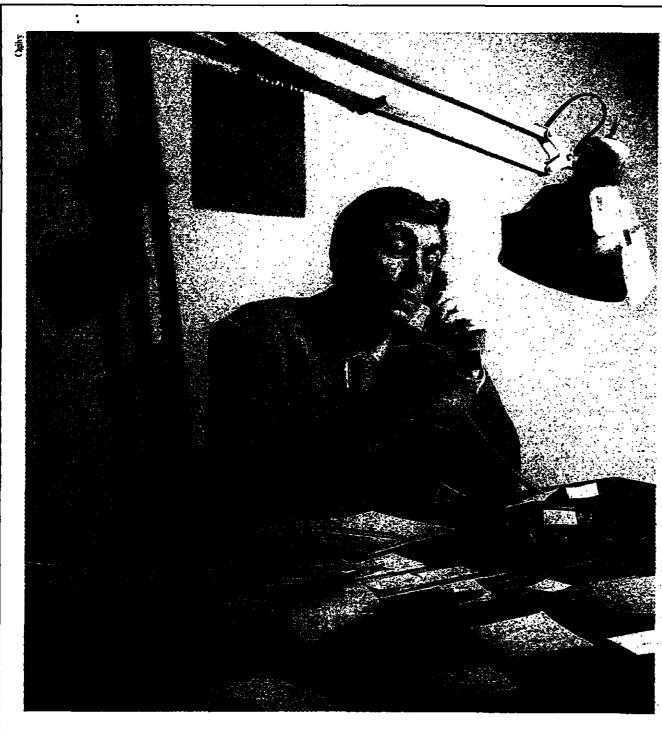
vate, Russian-owned restaurant in Moscow and still a favourite for its quiet atmosphere and good service, Menu Smoked sturgeon

> Mushrooms in cream sauce Chicken Kiev

ice cream

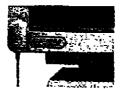
Tea and coffee

will be more expensive, costing upwards of \$30 a head. In an illustration of just how open Russia is to a mish-mash of western influences, American-style breakfasts are also catching on ranging from the Germanic buffet at the Penta Hotel (\$25 per person) to the lovely setting of the Metro-pol breakfast room (\$35).



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BUSINESS AND THE ENVIRONMENT

environmental dentistry -whether to add fluoride to public water supplies - is back on the agenda of local politics

This month the health authorities in two regions, Strathclyde in the west of Scotland and Yorkshire in the north of England, launched separate campaigns to introduce fluoridation for a total of 5m people at a cost of £13m. To succeed, they have to win over a substantial majority of local councillors in the face of a vocal anti-fluoride lobby.

Some opponents believe "mass

because it infringes the rights of the individual. Others have linked fluoridation with health problems ranging from headaches and indigestion to brittle bones and cancer.

However, bodies representing mainstream medical and dental opinion are unanimously in favour. The World Health Organisation. British Medical Association, American Medical Association, General Dental Council, Royal College of Physicians and many similar organ-isations have put out statements supporting fluoridation. They say drinking fluoride at the recom-mended level of one part per million of water brings no health risks.

The only proven ill effect of fluo-ride is "dental fluorosis", a mottling of the teeth that occurs occasionally in places that have very high natural levels in drinking water - well above the recommended 1ppm.

Comprehensive reviews of possi-ble links between fluoridation and cancer were published by the UK government in 1985 and the US government in 1991. They found no health risks. As James Mason, US assistant secretary of health, put it last year, the risks "are so small

1 10 miles

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The most emotive issue in Is fluoridated water good for teeth? Clive Cookson reports on a debate still raging after nearly 40 years

Getting to the root

detect in epidemiological studies to dation, compared with more than date. In contrast, the benefits are half of the US population. great and easy to detect".

Fluoride reduces the solubility of tooth enamel in acid and can help to remineralise enamel that has started to decay. Although children with growing teeth receive the most benefit, there is evidence that regular fluoride helps to strengthen adults' teeth too.

Regular surveys of children's dental health, co-ordinated by the British Association for the Study of Community Dentistry, show great geographical differences, which are clearly related to fluoridation. Average DMFT scores (decayed, missing and filled teeth) vary by a factor of more than five between the best areas and the worst (see table).

Despite the proven medical benefits - and the fact that opinion polls have shown public support rising steadily, with 79 per cent in favour of fluoridation in a NOP survey this year - only 5m people in the UK drink water with fluoride added. A further 2m live in areas with naturally high fluoride levels. In other words, 15 per cent of the UK population benefits from fluori-

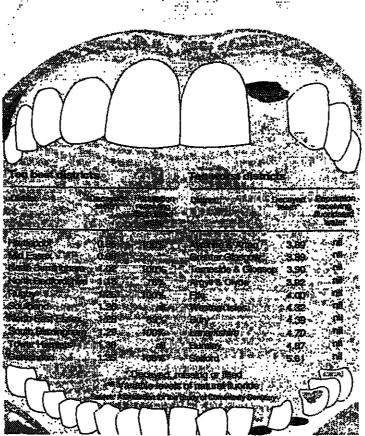
Fluoridation is most widespread in the West Midlands and Tyneside. Nowhere in Scotland, the London area or the industrial north-west of England has fluoride been added. Anti-fluoride campaigners say it is up to individuals to administer

the chemical to themselves or their children, in the form of fluoride tablets, rinses or toothpaste. But health authorities argue that poorer families, who have the worst dental health, are least likely to do so. The UK government pays for

agreed fluoridation schemes. The necessary equipment, which pumps fluoride solution into the mains, costs about £300,000. The capital cost per head of population varies according to the number of people served by each treatment plant but is typically in the region of £1 to £5. Running costs are 15p to 50p per person per year.

The 1985 Fluoridation Act provided a legal framework for water authorities or companies to add fluoride at the request of local health authorities. It overturned the 1983 Scottish court judgment in what

Dental health of British 14 year-olds



became known as the "toothless granny" case: after a long legal bat-tle, Catherine McCall, a Glasgow pensioner and anti-fluoride cam-

necessary powers to add fluoride to public supplies. Although the Act was intended to lead to more widespread fluorida-

paigner, obtained a ruling that tion, no significant new schemes

Energy Trust slow to gain speed

By Bronwen Maddox

t was going to be one of Britain's answers to global warming. Plans for an Energy Saving Trust to look at ways of using energy more efficiently featured in the Conservative Party general election manifesto in April. A month later, Michael Howard, environment minister, called the Trust "an important initiative to protect the environment", and made much of it at the Rio Earth Summit

But five months after the first declarations, little appears to have moved. The Trust still lacks a chairman and its pilot projects, which were going to invest £6m in the first year, are on hold.

The purpose of the proposed Trust - in reality a company limited by guarantee - is to search out investments for British Gas or the 12 regional electricity companies that will help their customers to use energy more efficiently.

The first three pilot schemes were

chosen to encourage: More efficient use of gas by low-

income households. Purchase of more efficient heating when households replace old

small-scale generators for both

heat and power, in hostels, blocks of flats, and small factories.

priority is getting started."

However, both he and The pilots were expected to cost

£6m in the first year of operation. British Gas - which spends around £10m per year on other energy saving schemes - would be allowed to pass that through to the gas consumer, adding some 30p a year to bills, Ofgas estimates.

One of the Trust's other roles would be to help the regulators Ofgas and Offer - which supervise the increases in gas and electricity bills - judge whether projects mer-ited such "cost pass through". There have been several reasons

why progress has been slight, although British Gas expects the Trust to be running by next May, just within the original timetable. First, the lack of a chairman has prevented the appointment of a full-time chief executive or a board of directors.

The Department of the Environ-ment, which is setting up the Trust through its Energy Efficiency Office

political matter" and will not comment on the apparent delay. Part of the problem may be that the Trust's creators have set their sights high. Colin Myerscough of the EEO says that the Trust has been looking for a "high status" person possibly with business experience who "can talk to the top executives of the

utilities as an equal". Luring that kind of worldly negotiator to public sector posts has never been easy. Delays also seem to have arisen when the original gas remit was broadened. John Dawkin, Ofgas's deputy director general, says: "It is moving more slowly than we would

have wished partly because the gov-ernment wanted a wider brief." He

adds that momentum may have been lost when it moved to the EEO. In the long run he expects the wider remit to be fruitful. Even with a board in place, questions remain about the Trust's likely effectiveness - and who will benefit. For a start, why should the

utilities encourage their customers to use less energy, if this leads to lower revenues In Dawkin's view 'The utilities have "British Gas will already made it clear certainly suggest schemes where it

that they want most doesn't lose out. systems.

• Investment in of the costs passed on' One could look at ways of getting round that, but at the moment the

However, both he and Myerscough suggest that in the long run the schemes are to their advantage hecause gas and electricity compete when consumers re-equip their homes. It is clear, though, that in the depths of a recession it may take a long time before household ers take up this new technology.

It seems likely too that the consumer will foot the bill for projects which get the Trust's backing. According to Myerscough: "The utilities have made clear that they want most of the costs passed on and the Trust's approval could encourage the regulator to allow

Ofgas responds that "we will have to be sure, before approving projects, that it is in the benefit of

British Gas's customers". Despite the delays, those involved remain confident. According to Dawkin: "I don't think it will solve Britain's problems in one fell swoop but it can make a significant contri

Resentment grows over Spanish parkland

tend to envy the people liv-V ing on the edges of one of Europe's largest and best-known wetlands, home to flamingoes, eagles and lynxes. But in the eyes of the local inhabitants, the 77,260hectare Coto Doñana National Park is a job-stealer and a waste of natu-

Rice and strawberry farmers are under pressure from conservation groups to reduce their irrigation and use of pesticides. Traditional occupations have been lost. And even ecotourism is almost impossible, as most non-scientists are barred from entering the park. However, a recent report by the

European Commission, called A

says that the money would not go directly to the Coto Donana. "This park has a sufficient bud-

Coto Doñana and its Surroundings, recommends that Pta50bn (£270m) of EC and Spanish government money be invested in the area over the next eight years, to help create jobs. Eduardo Crespo, deputy director of the state-run national park,

get, probably the highest budget of national parks in Europe [at Pta 1bn-1.5bn a year excluding sal-aries and overheads]. The money is needed in the surroundings - in the seven or eight towns around Donana - to create different sorts

The investment, says Crespo,

the area more attractive to private investors, and in training and education programmes for the local population. In this way, he hopes that the villagers can be won over

The task is a hard one: local anger flared into violence two years ago when conservationists protested at plans to build a \$100m (£56m) tourist development, called the Costa Donana, which would have provided construction and hotel tobs.

Javier Hidalgo, who owns a sherry bodega in Sanlúcar de Barrameda to the east of the park, says: "For many years Doñana was a private estate for the aristocracy Strategy for the Sustainable would be in infrastructure, such as to hunt in, with benefits for the

Socio-economic Development of roads and sewage works, to make local people of keeping cattle, fishing, egg-collecting, beekeeping, col-lecting sticks to support the vines, gamekeeping – the local people had jobs. Now the native population in Donana has disappeared."

Farmers, attempting to diversify out of olives or grapes into more profitable crops such as strawberries, rice or flowers, have been strongly criticised for using too much water and too many pesti-cides, endangering the wildlife. Six years ago more than 20,000 birds died in an outbreak of botulism related to pesticides.

The report recommends retaining the rice farming, but says that the use of pesticides should be con-trolled by the regional government. It suggests that the Costa Donana

but that more environment-friendly schemes could provide work. Andrea Gardiazabal of SEO. Spain's ornithological society,

believes that the opposition to the park is fading. A recent symposium of local villagers to discuss the report showed less bostility to the recommendation that the Costa Doñana resort should not be built. As Crespo says: "It's a question

of how long-range your thinking is: if you're only thinking of construc-tion jobs for the next five years, you're against the report. If you're thinking of national use of resources over a period of 50 years. then you'll follow the report."

Jacqueline Moore | (EEO), says the appointment is "a

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9.0% per annum.

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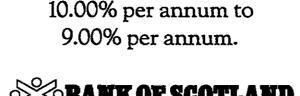
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BANK OF SCOTLAND

Bank of Scotland 22nd September 1992 its



ror those of Sir Clifford Chet-

Until last year Sir Eric combined the role of chief executive and chairman, but relinquished day-to-day running of the company when Neville Simms was appointed chief

This followed criticism of Sir

and sales.
Yesterday Sir Eric said that
the appointment of Neville Simms had worked out very

■ Philip Brown has been appointed group company secretary of HARRISON & director of United Newspapers and chairman of its Extel Financial subsidiary, has

United's 1987 bid for Extel. Charles Stern, United Newspapers' new finance director, replaces Wilson on the board of Extel Group, a non-trading company. ■ Sheila Forbes, formerly group personnel director of Storehouse, has been appointed director of human resources at REED INTERNATIONAL

ports, remains in overall charge of Sea Containers' fer-ries business. But Sherwood says the new appointment will free Aiken to spend more time developing new SeaCat routes elsewhere in Europe and the rest of the world.

Meanwhile, the Isle of Man

Finance moves

■ Barry Gilbertson has been appointed national property

Wading in to competition on ferry routes Steam Packet Company has man Corlett, the non-executive chairman who led the fight against the recent hostile bid from Sea Containers. He is Juan Kelly (left), 61. who recently retired as managing director of Shell International

Marine.

A former president of the General Council of British Shipping and one of the most distinguished figures in UK shipping, Kelly is joined by two other new appointees: Brett Martin, who steps up from finance manager to france director, and Hamish finance director, and Hamish Ross, and of Sea Containers Ferries Scotland, who joins James Sherwood and Mike Aiken as non-executives by virtue of Sea Containers 41 per cent shareholding in the company.

Interstate, has been appointed head of corporate banking,

STANDARD CHARTERED. ■ Stefano Meloni, md of

Brown Shipley Holdings.

in which Eptaconsors has a 10 per cent interest. Timothy

Saunt, group chief accountant has also been appointed

company secretary. As a result

of the sale of Brown, Shipley

Eptaconsors, has been

appointed a director of

Sir Eric Pountain steps back from full-time role

Sherwood, Sea Containers'

in this new post to strengthen management in the face of

Mike Aiken, the man who

brought SeaCat to the Channel

ighter control over spending.

The question is whether

these are the final acts of both men. Sir Eric is 60 next year -

the normal retirement age for

Tarmac executives. Recently,

there has been speculation

over Sir Clifford's role as non-

executive chairman of Wimpey following the appointment of

Sir John Quinton, chairman of

Barclays Bank, as a non-execu-

■ Keith Egerton, md of TAY-LOR WOODROW Property

Company, has been appointed chairman following the resignation of Peter Hedges.

short sea routes to France.

ident, says he wants him

non-executive chairman of TARMAC at the end of this

ferry industry will see Sea Con-tainers' David Benson, 48, pro-

moted to the newly-created post of vice-president - Chan-nel and Solent ferry services in

the run-up to the opening of the Channel tunnel.

Benson (right), presently MD of Wightlink, Sea Containers' Isle of Wight ferry operation, is a man worth watching. It was

he who drew up Sea Containers' headline-grabbing plans to

bid for the franchise to run many of British Rail's Network South East commuter

operations once the legislation

for rail privatisation has gone

through. Benson's previous incarna-

tions include a 13-year stint at

British Airways and three

years looking after the non-mu-sic activities of Richard Bran-

son's Virgin group. James

Eric's stewardship of Britain's biggest housebuilder during the late 1980s when the expansion of its UK housebuilding operations left it exposed to the collapse of house prices

well for both of them, but "I have found lately that there is not enough for me to do on a full-time basis. I also intend to accept other non-executive directorships."

resigned from the board of Extel Group, which retains a small preferential share listing – a hangover from

adviser to CORK GULLY. m Bert Backholer, Richard Bernays, Phillipa Gould, Rowland Hill, Lindsay wood, the former chief execu-Johnston, John Maher, John tive and chairman of WIMPEY who, in November 1990, stood Morley and Paul Sharman have been appointed to the board of HILL SAMUEL down as chief executive in favour of Joe Dwyer who, like Simms, is battling to reduce group debt through a pro-INVESTMENT MANAGEMENT Ltd. gramme of disposals and

Ralph Vickers, chairman of ACORN INVESTMENT TRUST, died on September 10; Robert Neild has been elected chairman in his place. ■ Steven Buster, formerly a senior vice president with First

& Co. Geoffrey Bell and Michael Halsey, a director and company secretary, respectively of Brown, Shipley & Co, have resigned from the board of Brown Shipley



Harry Axton (centre), yesterday announced his plan to retire from the chairmanship of Brixton Estate, the industrial property company, after 31 years with the company as managing director, deputy chairman and chairman.

From June 1993, the new chairman will be Douglas Gardner (left), who has been managing director since 1983, having previously been with Tarmac as chief executive of the property division. Terence Nagle (right), property director, will be the new managing director. The portrait in the background is of the company's founder, Percy Meighar-Lovett.

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£25,000-£49,999	8.125%	8.38%			
£10,000-£24,999	7.75%	7.98%			
Reserve Account for Personal Cust	tomers				
£50,000 +	6.875%	7.05%			
£20,000-£49,999	6.375%	6.53%			
£5,000-£19,999	5.875%	6.01%			
Reserve Account for Businesses/C	barities/Socie	eties			
politim 13-000,0012	6.5% 6.6 6 %				
£25,000-£99,999	6.25%	6.40%			
£10,000-£24,999	5.625%	5.75%			
7 Day Notice Deposit Account	1.0%	1.0%			
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IN THE MATTER OF THE INSOLVENCY ACT 1986 In accordance with Rule 4.106 (1) of the insolvency Rules 1986, notice is hereby given that I, Malcolm Ellis Cock of Sooth White, 1/2 Little King Street, Bristol BS1 4HW was appointed Liquidater of the above company by the standous on the 2nd September 1992. Dated this 9th day of September 1992 Malcolm Ellis Cock, Liquidator

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inspection dates should be arranged through Dr. Wolfgang Hettler telephone: 49-30/55 13 11 00 or Dr. Joachim Guthe, telephone: 49-30/55 13 11 40. Additional information on bidding procedures can be obtained at the Treuhandanstalt, Direktorat U4 A, telefax: 49-30/3154-1558 or -1788. Deadline for all bids is October 23, 1992, 12:00 a.m., room 3207 at the Treuhandanstalt, Direktorat U4 A, Leipziger Straße 5-7, O-1080 Berlin.

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Focus on avenging honour

o what then happened? Did griz-zled old Isak at last save his honour by killing young Fazh or some hapless male relative? Or did Isak instead yield to the combined pressure of his village hodia and a bunch of intellectuals from the city, and agree to "forgive the blood"? It is a mark of just how good Forgiving the Blood (Friday, BBC 2) was that it has left me burning to know how it

But art mirrored life all too closely in this compelling documentary by Melissa Llewelyn-Davies, first part of a trilogy called "Tribes of Europe". (Germans and Scots are yet to come.) No one knows how it will end in Kosovo, the former Yugoslav territory ruled by Serbia. Isak and Fazli are (although in the latter's case the past tense might be more apt) ethnic Albanians who outnumber Serbs seven to one.

However, as a group of Serbian Orthodox monks explained. Kosovo is regarded as the birthplace of their nation, as sacred to them as Jerusalem to the Jews. The memory of centuries of Moslem oppression can never be expunged, and land stained by Serbian blood, sweat and tears will never be relinquished.

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Charles Bright

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Quite obviously, the ceiling is about to fall on the heads of the Albanians and they know it. The rational move in such a situation is for people to bury their differences and take arms against the common foe. But that, in the context of rural

Albania, is easier said than done. Two years before the film was made, Fazli had wantonly stabbed Isak's son to death for telling him to take his cow out of their vineyard. The State demonstrated its manifest indifference to justice when a Serbian judge sentenced the murderer to a mere six weeks in jail. In those circum-stances, it was quite understandable why

the bereaved father should turn to a far older, unwritten legal code: the blood-feud or vendetta.

Now feud is a subject dear to the heart of anthropologists and medieval historians. In their Finals' papers generations of undergraduates have trounced the notion that feuding is messy, pointless, barbarism. Quite the contrary, they explain. Feuding, whether it be among the biblical Israelites, in Beowulf's England or among the Marsh Arabs of Iraq in happler times when they played host to Wilfrid Thesiger, is a social mechanism perfectly adapted to small, clan-dominated communities. Feud satisfies the innate sense of justice but it also limits and contains violence.

Forgiving the Blood brought out so much that the bland text-book sociological account of feud overlooks - the feelings of grief constantly inflamed, of guilt, and the pressure exerted on the avenger by the neighbours' whispers. What is more, we saw how wiping the slate clean can be a devilishly slow business. Fazli and his male relatives cowered behind the high stone wall of their farmstead - or sneaked off to work in Germany - leaving their women to do all the outside work.

But the particular excellence of this film was to set the private dilemma of an individual against the larger fate of a nation. We saw Isak and his family (the men, needless to say) debating in the Men's Room of their house as to whether he might not after all commute his feud in the interests of Albanian solidarity against the Serbs.

"Action for Forgiveness" is a movement dreamed up by a group of young Albanian political activists during one of their fre-quent spells in gaol. Its head is a professor of folklore, Anton Cetta, who came up with a satisfying public ritual which could save face all round. It would have been nice to learn a little more about what historical precedence, if any, there was for Cetta's solution. At mass-meetings - until they were outlawed by the Serbian authorities - some 1200 feuds have been settled as villagers embraced the professor and

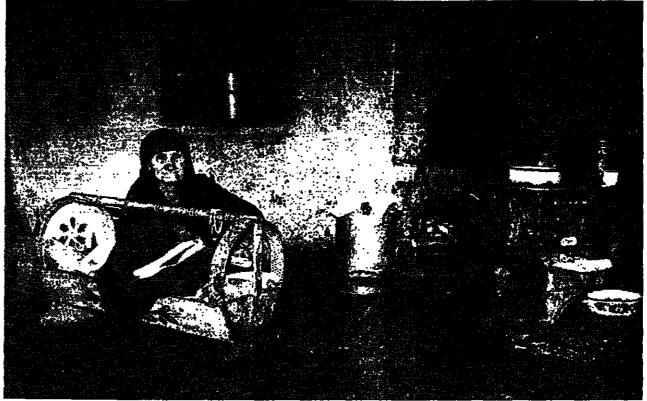
"forgave the blood". But in the case of Isak and Fazli, it seemed there was to be no such renunciation of violence, despite the envoys from the league who joined forces with the hodja, the Moslem priest. Isak's proposal was that the murderer's family should have the grace to move away.

But they, in the privacy of their Men's

Room, decided that resettling 25 people was going to be hopeless. The property market in Kosovo is, to say the least, depressed. But at least Isak was left gloomily chewing over the knowledge that Fazli's lot were even worse than he thought. "By refusing to move they've done wrong not only to me but to the

Avenging honour was one of the themes in the best of a clutch of programmes about sleaze - about its purveyors, victims and consumers. Living Off the Game in BBC 2's series, "East" (BBC 2) examined the growing problem of prostitution among Asian women. Last week's announcement that Birmingham city fathers are considering creating a legalised red-light district only made the topic more relevant.

It seems that life for Asian girls who go "on the game" is more difficult than for white co-workers because of the risk from enraged co-religionists, tempted to avenge the stain on Islam. Quite how severe a form this vengeance takes was not made clear - ostracism one might expect, but violence, too? And of course, hypocrisy



Grandmother of the boy whose killing began the blood feud between two families in 'Forgiving the Blood'

talked wrily about custom from "pious elders" with long beards and Sufi robes.

Well, 'twas ever thus, which is rather the sentiment I was left with by The Women Trade (Wednesday, BBC 1). However, if you are looking for one good reason why the UK should keep its own immigration laws, here it is. Every year, thousands of under-age girls and women are flown in from the Third World, via Greece, on so-called "entertainment" visas. As the film established, a proportion of these poor wretches are ignorant of the

pers and prostitutes in the clubs of Antwerp and Brussels.

Depressing fare and so albeit to a far lesser degree was World in Action's expose of David Sullivan, king of sleaze (ITV, Sunday). The huff of hypocrisy was audible throughout this boring account of the pub-lisher of Sunday Sport and other tawdry gems of popular literature.

I am reasonably sure I would not enjoy having Sullivan to dinner. But the mere fact that he is a nasty, vulgar fellow surely does not merit this kind of pathetic, plod-

huffs and puffs. A prostitute in Bradford true nature of the jobs - to work as strip- ding, "shock-horror" expose. Nasty and vulgar is also, by definition in my view, anyone who buys his sleazy publications which a surprising number of my social contacts do.

What a relief to turn from the bloated features of porn-merchants to the refined A.N. Wilson, interrogating New Testament scholars as to whether Christ was the Messiah and did really ascend into heaven (C1, Tuesday). This was good stuff, even if Wilson did make a howler in suggesting that Jesus would have used his smattering of Greek to buy tomatoes. Whoops...

New York Theatre/Karen Fricker

Solo performers

Two solo performers have been giving audiences a look at contemporary life in productions playing in New York this summer. With Fires in the Mirror Anna Deavere Smith holds the glass to the 1991 Brooklyn race riots showing the audience its own reflection; violence in our cities, she reminds us, is everyone's problem. David Drake's The Night Larry Kramer Kissed Me is both a window onto gay life and a crystal ball that lets us picture a world beyond AIDS.

Fires in the Mirror just finished a sold-out run at the New York Shakespeare Festival's Public Theater. Smith will perform the piece in Boston and San Francisco this autumn, and at London's Royal Court Theatre next February, and is recent Los Angeles riots for that city's Mark Taper Forum. She has become so well known that she has been given that most American accolade: she is posing for a Gap

poster For Fires in the Mirror Smith interviewed dozens of people about the events of August, 1991, in Crown Heights, Brooklyn, in which blacks and Jews turned against each other in several days of violence after a Hasidic motorcade ran over and killed a 7-year-old black boy. She edited 29 of the interviews into vignettes, and, as directed by Christopher Ashley, performs them using minimal props and costumes to suggest the speakers and their milieux. One minute, she is the spread-legged, head-cocking Reverend Al Sharpton exuding bravado; the next, she is the leather-jacketed University of Santa Cruz professor Angela Davis spouting theory, and the next she's the spangled-sweatered Jewish matron Roz Malamud

pleading for peace. Smith is a skilled actress who inhabits her characters with ease and assuredness. The range and

flexibility of her voice is particularly impressive; she switches between regional and cultural accents as deftly as she swaps a Hasid's fedora for a rapper's kinte cloth cap. The effectiveness of Fires in the Mirror lies in her skill as a collagist. Though she performs her subjects' words without her own verbal commentary, her message comes through in her choice and ordering of material and in the cumulative effect of so many takes on the same events. Far from placing blame in the Crown Heights case, Smith powerfully instructs that right or wrong is not the point. Her work communicates the need for mutual understanding more effectively than any political harangue.

Me, playing at the Perry Street Theatre, David Drake reveals and revels in twentysomething urban gay life. That Drake's series of vignettes is laced through with the language of AIDS activism - "The truth will set you free," he says, "but first it will piss you off" brings home where much of his community's energies lie. For Drake, as he explains in his first vignette, Larry Kramer's groundbreaking 1985 drama The Normal Heart, kissed him and thousands of others awake to the reality of the AIDS epidemic and called them to political action to end the crisis.

At times in The Night Larry Kramer Kissed Me one senses the bounds of Drake's imagination and his experience. In the post-Spalding Gray profusion of autobiographical solo performance, one longs for formal innovation, for the see-what-I'm-doing postmodern wink, but Drake remains safely and disappointingly within his work's artifice. His autobiographical passages come off as wide-eyed and simple as Drake's persona in them. The vignettes in which he plays himself



Anna Deavere Smith in 'Fires in the Mirror'

at eight years old are syrupy sweet. But when Drake investigates an aspect of gay life by embodying several characters and points of view, the results are stunning, particularly his part-send-up, part-exposé of gay night life and the personal ads, '12" Single'. As directed by Chuck Brown against Steve Sandberg's throbbing score, '12" Single' is a prose-poem of intoxicating theatricality in which Drake reveals both the elation and the self-destructiveness of the club scene. Drake's final vignette is a simple

fantasy and his coup de théâtre. On

New Year's Eve, 1999, the happy, healthy Drake natters to us, his party guests, about the last decade, Barbra just directed her son in a homosexual remake of The Way We Were, Drake's parents have worn out their home video of his legal domestic partnership ceremony, and a cure for AIDS was found years ago. "It's better here," says Drake, breaking the fourth wall for the first time, "you'll see." All too seldom in the theatre do we look beyond today to a better time; that Drake allows us to do so is an act of generosity that makes great theatre.

'Christophe Colomb', 'Mignon' Concert performances apart, this dauntingly demanding work has still not been given in Paris or the

Compiègne, about one hour north of Paris, on the edge of the forest of the same name, now has an Imperial Theatre to add to its attractions. That "now" points to a strange history. Napoleon III and his Empress, Eugènie, who both loved Compiègne and entertained there lavishly, found the existing theatre too small and commissioned a larger one, still incomplete when the Second Empire collapsed in

Quite recently private sponsors handed together to restore the theatre and entrusted it to Pierre Jourdan's Théâtre Français de la Musique, an opera company formed to explore and revive forgotten corners of the rich French repertory. And so the Imperial Theatre finally 120 years late. This year's operas are Christophe Colomb and Mignon. They are followed through the winter by a series of weekend concerts of French music. Compiègne being easy of access, the enterprise is an acquisition for Paris as well as for the neighbourhood.

The theatre is large for even the grandest palace. The present capacity is 770 - about the same as the Glyndebourne we used to know but vastly different in shape and appearance - a wide, semi-circular auditorium with raked stalls, three balconies and side boxes. Those expecting a profusion of Second Empire gilt may be disappointed. Apart from plasterwork there is little decoration - plain greyish-white surfaces. But the architect Ancelet's strong, simple lines are as harmonious as they are imposing. The restoration was the work of Renaud Bar-don, architect of the Musée d'Orsay. Milhaud and Claudel's Christophe Colomb, a monument of modern music and theatre in the 1920s,

surrounding region. Nevertheless, since the Complègne stage is by no means large as opera houses go, it was a brave decision.

Opera/Ronald Crichton

A crucial factor was the generous offer of the Gulbenkian Foundation in Lisbon to lend not only chorus, orchestra and ballet for the performances but to ensure adequate rehearsal time for preparation of the complicated score. The solo singers were French and mostly

Forgotten corners of the rich French repertory are being revived at Compiègne

young. The conductor, Michel Swierczewski is a Frenchman who has studied with Mackerras in Vienna and who is a regular visitor to Lisbon. Claude Lulé produced, in designs by Jean-Yves Legavre and Juan Stoppani.

One thing the venture did prove. Colomb, though no walkover, is not after all such an immense undertaking - it can be done, and worthily, on a fairly modest scale. Not that total success was won in this turbulent work in which episodes from the life of Columbus (rarely given in chronological order) are separated by spoken narrations and by comments and reactions from the chorus, all in Claudel's torrential lan-

Lule decided not to use film as specified by Claudel as an auxiliary means and substituted dancers. In the storm scene he even fell back on our old friend, dry ice (surely due for retirement). On the other hand the balletic treatment of the strange episode where Mexican gods unavailingly churn up the waters to repel the advancing caravels, was a

the choreography of Olga Roriz was better than one usually finds in

The orchestra pit was covered, no doubt a wise precaution in view of the exuberance of much of Milhaud music. The result, with obviously careful preparation, was perfectly clear. Remembering its past excel-lence in Lisbon I was a little disappointed with the chorus. Perhaps there were too few voices in that gallant group. Milhaud wrote expertly for voices but he expects endless staming over long stretches There was some flagging, some sour intonation, and too few audible words - the simple, all-important phrases greeting the moment of discovery were mumbled

The Columbus, Laurent Naouri, is with a strong, tireless voice - the role is long and demanding. He has a good presence, but his white, centrally parted wig, aquiline features and long cassock reminded me fatally of a later and different kind of explorer - the Abbé Liszt. Naouri's jerky movements contrasted with the remarkable physical control of the narrator, Michel Hermon, an accomplished actorsinger who also (rather confusingly) sang the role of Columbus's alte Mary Saint-Palais, a useful high

soprano, had her moments as Queen Isabella but the right degree of limpidity for her rapt phrases was not always forthcoming. Pascal Meslé dealt ably with a number of tenor character roles. The fine passage describing "the eye of the storm" lay low for him. It was unwise to have big, floppy programmes that they could hardly be opened without damaging the coiffure in front. Even then there was too little light to read them comfortably. A worth-while event in spite of minor flaws - and a shame there were only two public performances.

INTERNATIONAL

■ AMSTERDAM

Concertgebouw 20.15 Song recital by Derek Lee Ragin. Fri: Walter Weller conducts works by Brahms, Beethoven and Mendelssohn. Sat: André Previn conducts Vienna Philinarmonic. Sun: Yuri Bashmet (6718 345)

BARCELONA

Gran Téâtre dei Liceu 21.00 Edmon Colomer conducts the Orchestra and Chorus of the Liceu in a concert performance of Falla's Atlantida, with a cast including Victoria de los Angeles. Repeated tomorrow. Next week: Einstein on the Beach (412 3532) Information and booking for cultural events in Barcelona at Caixa de Catalunya from 08.00 to 14.00 (310 1212)

BONN BEETHOVEN FESTIVAL This year's festival in the hovenhalle focuses on music by Berio and Mahler as well as Beethoven. In tonight's concert.

Luciano Berio conducts the Orchestra of the Beethovenhalle in a programme of his own music, including the world premiere of a new work for guitar and orchestra, played by Eliot Fisk. Tomorrow, Fri and Sat Roger Norrington conducts the London Classical Players, with piano soloist Melvyn Tan. Sun: Dennis Russell Davies conducts Beethoven's Mass in C. Next week: Hanover Band. The festival runs till Oct 4 (775775)

CHICAGO **CHICAGO SYMPHONY**

ORCHESTRA This week's concerts at Orchestra Hall are conducted by Daniel Barenbolm and consist of Richard Strauss' Burleske (Martha Argerich), the Alpine Symphony and an orchestral arrangement of music from Die Frau ohne Schatten. The programme can be heard tomorrow, Fri and Sat. Next Tues, Till Eulenspiegel replaces the Burleske (435 6666) LYRIC OPERA Tonight at 19.30, Donato Renzetti conducts Pier Luigi Pizzi's

till Oct 13, with next performance on Sat. Next Tues: first night of Elektra (332 2244)

Pesaro Rossini Festival

production of Otello, with Chris

Merritt and Lella Cuberli. Runs

■ COLOGNE Eartha Kitt gives tonight's concert at the Philharmonie. Tomorrow:

André Previn conducts the Vienna Philharmonic In works by Haydn, Rayel and Richard Strauss, Fri: Rudolf Barshai conducts the Cologne Radio Symphony Orchestra in Shostakovich's Seventh Symphony. Sat Arditti Quartet plays Webern, Schoenberg and Zemlinsky. Sun morning, also next Mon and Tues evenings: James Conlon conducts the Gurnzenich Orchestra In works by Geoffrey Wharton, Bruch and Dvorak. Oct 5: Thomas Hampson song recital. Oct 14: Czech Philharmonic Orchestra. Oct 18: Harnoncourt conducts the Chamber Orchestra of Europe. Oct 24: an evening with Peter Ustinov. Oct 28: Russian National Orchestra plays Tchalkovsky

(2801)OPERA Franz Grundheber and Elizabeth Connell star in Macbeth at the Opernhaus tonight, Sun and next Wed. Sat. Pelléas et Mélisande. James Conton conducts both operas (221 8400)

THEATRE/DANCE The Schauspielhaus is showing Tanz-Forum's production of Beach, a ballet by Jennifer Muller, tonight at 20.00. The drama repertory includes Jean Genet's Les Bonnes (The Maids). Samuel Beckett's Krapp's Last Tape and Lenz's Die Soldaten (221 8400)

■ HAMBURG

 Bernd Weikl sings the title role in tonight's performance of Simon Boccanegra at the Staatsoper, repeated on Sat and

next Tues. Tomorrow and Fri: Alfred Schnittke's ballet Peer Gynt, choreographed by John Newumeier, Sun: Der Rosenkavalier with Kiri te Kanawa and Kurt Moll (351721)

 Eva Mattes sings the title role in this week's performances of The Blue Angel at the Deutsches Schauspielhaus. The work is a musical revue adapted from Heinrich Mann's novel. Professor Unrat, by Peter Zadek and Jerome Savary. Runs daily except Mon till Oct 4, with Ute Lemper taking over the title role from Sun (248713)

■ MUNICH OPERA

With the National Theater closed for the next nine months for repairs to the hydraulics system. the Bavarian State Opera is playing in Munich's other theatres and concert halls. Tonight at 19.00 in the Prinzregententheater, Adam Fischer conducts a performance

of Don Carlo, with Sharon Sweet and Lando Bartolini (repeated on Sun and next Wed). Tomorrow: Hildegard Behrens is soloist in an opera concert. Sat and next Tues: Carmen. Tomorrow in Cuvillies-Theater: Le nozze di Figaro with Lucio Gallo and Alan Titus (221316)

CONCERTS

Tonight at 20.00 at Gasteig. André Previn conducts the Vienna Philharmonic Orchestra in works by Haydn, Ravel and Richard Strauss (983898). Fri and Sat: Arturo Benedetti

Michelangeli plays Schumann's Piano Concerto with the Munich Philharmonic under Sergiu Celibidache (48098 614).

imposed itself this year, celebrating

both the composer's centenary and

the quincentenary of Columbus.

■ NEW YORK THEATRE

A Moon for the Misbegotten: Eugene O'Neill's final play with a tragic autobiographical tone. Just opened, runs till Oct 24 (The Pearl Theatre, 125 West 22nd St. between Sixth and Seventh Avenues, 645 7708).

The World of Kurt Weill: Juliette Koka stars in this retrospective of Weill's life, including works by Weill and his collaborators (Theatre Arielle, 432 West 42nd St, 564 8038).

Young Playwright's Festival: founded by Stephen Sondheim, Young Playwrights Inc presents its eleventh annual festival, with plays written by 18-year olds and younger. Tues to Sat at 20.00 (Playwrights Horizons, 416 West 42nd St. 279 4200).

 Under Milk Wood: Jean Cocteau Repertory's version of Dylan Thomas' play for voices. with eight actors playing 71 roles In repertory with An Old Actress. Thurs to Sun till Nov 20 (Bouwerie Lane Theatre, 330) Bowery, 677 00601.

 Dancing at Lughnasa: Brian Friel's award-winning nostalgia play about five unmarried sisters in Donegal in 1936. Directed by Patrick Mason (Plymouth Theater, 236 West 45th St, 239 6200)

■ SAINT-ETIENNE

The second biennial Massenet

Festival takes place in the city of the composer's birth from October 30 to November 8. There will be concert performances of Grisélidis, a staging of Esclarmonde (which will also be seen in Nov at the Opera-Comique in Paris), and several other events including the oratorio La Terre promise (Association du Festival Massenet, BP 237, 42013 Saint-Etienne Cedex 2, France. Tel 7741 0696)

■ STOCKHOLM OPERA/BALLET

Ingvar Lidholm's new opera A Dream Play can be seen tonight at the Royal Opera, In a staging by Gotz Friedrich. Tomorrow: Ashton's ballet Cinderella, Fri: Il barbiere di Siviglia. Sat afternoon and Mon: Simon Boccanegra (248240) CONCERTS James Loughran conducts the

Stockholm Philharmonic Orchestra and Chorus tomorrow and on Sat afternoon at the Konserthuset, with a programme of Poulenc's Gloria and Beethoven's Mass in C. Next week's concerts are conducted by Sixten Ehrling (244130)

■STUTTGART LUDWIGSBURG FESTIVAL

Vienna's Burgtheater presents Claus Peymann's production of Macbeth tonight, tomorrow and Fri in the Theater im Forum. Sun: Barry Tuckwell is director and horn soloist with the City of London Sinfonia.

European Cable and Satellite Business TV (all times CET)

MONDAY TO FRIDAY

2000-2030, 2300-2330 World Busi-ness Today — a joint FT/CNN pro-duction with Grant Perry and Colin

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly in-depth analy-sis from FTTV 2130-2200 (Tues) Media Europe business
2130-2200 (Wed) FT Business
2130-2200 (Wed) FT Business
Weekly - global business report
with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern
Europe Report
0830-0900 (Fri) FT Business
Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0800 (Fri) FT Busi-ness Weekly

SATURDAY 00-0830 World Business This Neek - a joint FT/CNN production

1900-1930 World Business This

1930-2000 FT Eastern Europe SUNDAY

1030-1100, 1800-1830 World Busi

Super Channel 1900-1830 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Busine

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday September 23 1992

Divided France

NEVER CAN a vote in France have been followed with such attention by the rest of Europe as last Sunday's referendum. But to those who looked to France to determine their future the French electorate returned a Delphic answer, lending itself to opposite interpretations. Is the glass half full or half empty? Is the Maastricht treaty alive or dead?

Time will answer that question. Meanwhile the French, by the way they divided on this difficult question, have given a remarkable portrait of themselves to their fellow Europeans, and to their own political class - those trying to govern them now and those aspiring to do so in the future. It is a portrait such that the task of providing them with leadership for the years ahead might well daunt even the most ambitious.

That France should be evenly divided is nothing new in itself. As it celebrates its 200th birthday this week, the French republic can look back on a history of division into right and left, which have often been very finely balanced. But the division revealed by Sunday's vote was quite different.

Among political leaders, only Mr Jean-Marie Le Pen of the National Front took more than 90 per cent of his followers with him into the No lobby. Eighty one per cent of communist supporters voted No: 78 per cent of Socialist ones voted Yes. Sixty one per cent of Mr Valéry Giscard d'Estaing's UDF supporters (moderate conservatives) joined him in voting Yes, while Mr Jacques Chirac could only get 41 per cent of Gaullists to

Those who voted Yes were older (especially the women among them), more prosperous, above all better educated than those who voted No. Typically they were white-collar workers, managers or members of the professional middle class. People on low wages farmers, artisans, shopkeepers and the unemployed overwhelmingly opposed the treaty.

Such findings make the political conclusions from the vote very difficult to draw. What they reveal and it is a fair guess that other European countries are not very different in this respect - is that the great social and economic ements of our time are affecting different social categories very unequally. Roughly half the population is doing well enough to feel optimistic, and to see the rapid opening of France's economy and society to outside influences and competition as an opportunity. The other half feels it is being trampled on and left by the wayside, and seizes a chance to shout

Everyone is saying that Europe has to hear the message from those who voted No, and to take account of their views. Yet it is far from certain that making European institutions simpler and more transparent, or slowing down the process of European integration, or transferring powers back from Brussels to national governments will actually make many of these people feel better. Perhaps they will be cheered up, momentarily, by the landslide defeat that President Mitterrand's Socialist party is all but certain to suffer in parliamentary elections next March. But unless the material benefits of increased trade within Europe begin to be felt by these categories of the population, no merely political change is

Unfortunately, given the current performance of the German economy, and the monetary policies that imposes on governments striving to achieve economic convergence, there is little prospect of that happening at all soon.

going to reconcile them to their

Mr Kohl's task

GIVEN THE turmoil in the in the Bundesbank's behaviour, currency markets. Mr Helmut since it regards the immediate Kohl's meeting with Mr François Mitterrand to discuss the fate of the Maastricht treaty for a European union looks like a case of rearranging the deckchairs on the l'itanic. But there is a difference: Mr Kohl is at least nominally in charge of the iceberg. Is he able to

change the course set by Bonn? Yesterday's announcement that German broad money - the figure targeted by the Bundesbank grew at an annual rate of 9 per cent between the last quarter of 1991 and August 1992 was a shock. The figure, up sharply from July's 8.5 per cent, was both well above average expectations for an increase of 8.1 per cent and still further above the target growth of 5.5 per cent for the year. With annual inflation widely forecast to be 3.4 per cent in September, little suggests the Bundesbank will be easing again in the near, or even the more distant, future.

The D-Mark has gained an effective trade-weighted appreciation of 2.3 per cent since the beginning of last week, which will please the Bundesbank. It has seen the ERM tree shaken and the Italian lira and sterling fall off. The Spanish peseta has fallen onto a lower branch, while other currencles are little more secure.

The ERM is, in effect, a casualty of the Bundesbank's war against what it sees as a profligate German government. Mr Helmut ernment closes this gap, the proj-Schlesinger, the Bundesbank pres-ect for European union will conident, has made supportive remarks about the French franc. But these do not ensure a change

monetary consequences of the DM 60bn (£24bn) in foreign exchange intervention mounted this month with great distaste. France may yet be driven to raise interest rates the franc.

Is the Bundesbank satisfied? Probably not. The German central bank is determined to prevent a German credit explosion. It knows that many criticise its targeting of broad money. But the Bundesbank has good reason to trust its judgment over that of its critics and will continue with its policies so long as credit grows so quickly.

In the longer term, credit growth will slow. American experience in the 1980s with a not dissimilar combination of loose fiscal and tight monetary policies suggests that the German exchange rate will ultimately depreciate. A real depreciation of the D-Mark may also be required if east German labour is to be re-employed. But considerable discomfort is bound to remain in the short to

medium term.

Responsibility for the discomfort lies mainly with Bonn's fiscal policies. The rhetoric of the German government in favour of European political and economic union has been matched by its indifference to the consequences for Europe of its policies to deal with German unification. Until the German govtinue to drift towards the iceberg. whatever initiatives Mr Kohl may devise with Mr Mitterrand.

MR NORMAN - 'we will never already been substantially loosdevalue - Lamont is a happy man. He can look at Germany's dreadful figures for the money supply with the joy of someone gazing from shore at a ship caught in a fierce tempest. He can com-miserate with the plight of all the passengers. He can feel quiet pleasure over Mr Helmut Schlesinger's unwillingness to see sterling on board the ERM again. And, above all, he can cut interest rates below the German level.

The chancellor says that yesterday's one percentage point cut in interest rates was "justified on fundamental economic grounds. But he was unlikely to say anything else. He also says he is determined to persist with the policy of defeating inflation. "If at any time I thought inflation was going to pose a problem again," he asserts. "I would not hesitate to put rates up." But unkind folk may remember that this is the chancellor who said but a week ago that he would do whatever was necessary to defend sterling within the ERM.

What the chancellor says can be ignored. What matters far more is what he does. After an effective devaluation of 8.4 per cent over and of itself - does nothing to the last week, monetary policy has remove the doubts.

ened. Should the government want to match rates of inflation elsewhere in Europe - still a worthy goal - the case for further rapid loosening, though it can be made, is not overwhelming.

It is because the government

can adjust policy at will that it should be particularly careful about what it does now. It should ask itself what signals will be sent both to employers and to employ-ees if it appears absolutely determined to combine devaluation with monetary expansion. The need to show such caution would be far less if the government were to establish a convincing set of institutional changes for the control of monetary policy. But, as it is, the chancellor seems enchanted by his new freedom to run the country by the seat of his pants. A damaged government presiding over a country with a plung-ing exchange rate, a fiscal deficit of more than 5 per cent of gross domestic product and underlying price inflation still around 4 per cent needs, like Caesar's wife, to be above suspicion. This government is not. Yesterday's interest rate cut - probably justifiable in



"The central bank is fully sovereign

in its relationship with the govern

ment; it is responsible only to itself.

We have a body which is responsible

to no one, neither to a parliament, nor to a government" - Chancellor

mechanism, the British government

is searching for a new economic

nostrum. Can the German Bundes-

bank, the bogeyman of the sterling

debacle, provide, after all, a source

In parliament, the press and the

City there is growing support for

placing British monetary policy in

the hands of a reformed Bank of

England, geared to price stability.

and guaranteed Bundesbank-style

This could be the centrepiece of

what Mr Norman Lamont, the chan-

cellor, calls, with deliberate empha-

sis, a new "British" monetary pol-

icy. He wants to maintain a low

inflation rate - but above all, as

yesterday's 1 percentage point inter-

est rate cut showed, Mr Lamont

Britain and other countries can

certainly learn from the experience

of a central bank which has vitally

contributed to post-war Cerman sta-

tion which sets the direction of

interest rates throughout Europe,

the Bundesbank has influence that

runs well beyond Germany's

However, even if the government

adopted the goal of an independent

central bank, building a British

Bundesbank on the clay of Thread-needle Street would be a daunting

A combination of the Bundes-

bank's legal statutes and a succes-

sion of tough-minded presidents has

given the Bundesbank a unique rep-

utation for standing up to govern-ments at home and abroad, it has

shown craft, professionalism and

pragmatism in pursuing its statu-

tory aim - the same as that of the

1939 Reichsbank - of "safeguarding

All this has contributed to the

bank's own powerful mythology -

an important reinforcement of its

credibility on financial markets.

Venerated for its orthodoxy, vilified

for its obstinacy, the Bundesbank is

Last week's hints of a sterling devaluation by Mr Helmut Schles-

inger, the Bundesbank president.

have made him - in the eyes of

Whitehall, as well as the British

tabloid press - the villain of the

currency drama. Mr Schlesinger has

been undiplomatic, but he has also been doing his job. Under the 1957

deity and demon combined.

perhaps impossible - task.

bility and prosperity. As the institu-

wants to end the recession.

fter the bruising, losing

tussle against the

D-Mark and the pound's

withdrawai from the

European exchange rate

Konrad Adenauer, 1956.

of salvation?

independence.

enlarged borders.

the currency".



fjalmer Schacht, Reichsbank president 1923–30 and 1933–39:

ended war in concentration camp







The Bundesbank is a model, but difficult to imitate, says David Marsh

A hard act to follow

The clash between large German

public deficits and the Bundes-

bank's anti-inflation rectitude

accounts for high D-Mark interest

rates over the past two years, and

Even if the Bank of England were

made independent, a future gover-nor would need considerable time

before he could equal the stature of

a Bundesbank president. When he

speaks, a German central banker

combines the moral authority of a

high priest with the fire-power of a

warned Mr Karl Blessing, the Bund-

Both Mr Schlesinger and Mr Karl

Otto Pöhl, the Bundesbank's presi-

dent between 1980 and 1991, have

done their best to play down the

Bundesbank's power. Recalling how

general. "There can be no hard cur-

rency without hard measures,'

sbank's first president.

hence Britain's ERM exit.

strong as ever.

Bundesbank Law, the bank has to guard the value of Germany's cur-- not that of anyone else's.

The Bundesbank is a product of German history: of this century's tortuous cycle, twice played out, of war and defeat, inflation and recovery. Drawing on traditions and personnel of the Reichsbank, the postwar central bank was established in 1948 by the western allies as the Bank deutscher Länder. It was independent from the German government primarily because, in 1948, there was no German government.

In 1951, work started on transforming the Bank deutscher Lander into the Bundesbank. After several years of tortuous deliberations, the 1957 Bundesbank Law centralised some aspects of the bank's decisionmaking. But today's federal structure - above all, the regional make-up of the 18-man policy-making council - is the basic result of post-war US efforts to break up the centrally controlled apparatus of

Nazi power. The Bundesbank's anti-inflation track record makes it a model for many nations. Yet the conditions which have fostered the Bundesbank cannot easily be reproduced elsewhere. Even in Germany, the decision 35 years ago to make money creation the responsibility of an independent institution caused a political battle.

Chancellor Adenauer, who once summoned the Bank deutscher Lander council to Bonn to try to forestall an interest rate rise, opposed the bank's independence. The Bundestag, however, passed the law because the German people had twice seen - in the 1923 hyperinflation, and again in 1945-48 - how utterly politicians could wipe out

debauchery, by contrast, has been more gradual. Perhaps only a country which has weathered Germany's traumatic experiences can maintain a public consensus permitting unpopular monetary policies to be taken by unelected officials. For Britain, the chastening lesson of the last two years of ERM mem- German powerhouse: the 19th century Reichsbank building

the most celebrated of his antecedents. Mr Hjalmar Schacht, twice

the value of money. The UK's experience of currency

bership is that the post-war German president of the pre-war Reichsconsensus in favour of fiscal orthobank, carried greater weight than many German chancellors, Mr Pöhl doxy has broken down under the financial strain of reunification. Yet would remark: "The Bundesbank is the Bundesbank's monetary orthonot a shadow government." Mr doxy - if anything, buttressed after Schlesinger says, with justification, "Our independence depends on our the bank's disagreements with the government over German monetary ability not to overstep our limits." The Bundesbank's power is union two years ago - remains as

indeed limited, in legal terms, to its ability to raise and lower interest rates without taking "instructions" from Bonn. In other matters including the fixing of exchange rates, where the Bundesbank thought the D-Mark conversion terms in German monetary union were far too generous - it can be overruled by the government.

The main reason for Mr Pohl's resignation last year was, indeed, Chancellor Helmut Kohl's failure to heed his advice on German monetary unification.

In the mainstream monetary policy area, the Bundesbank has defended its ground with determination. The Reichsbank, by contrast (particularly after 1939), was almost

totally subservient to Hitler. Independence, however, has never been seen as a panacea. When the Reichsbank was made autonomous from the German government in 1922. Mr Rudolf Havenstein, the

hapless Reichsbank president, wrote presciently: "For limiting inflation, today's autonomy of the Reichsbank is but a very small expedient. Next year, the consumer price index rose nearly 2,000 In 1933, when Hitler took power,

the Reichsbank was still nominally independent. The Führer brought in a man of his choice, Mr Schacht, as president - paying off Mr. Hans Luther, the incumbent, with the ambassadorship to Washington. Bloodied by political in-lighting

though it may occasionally be, the Bundesbank is an organism which governments fight at their peril. Three chancellors - Mr Ludwig Erhard, Mr Kurt Georg Kiesinger and Mr Helmut Schmidt - owe their downfall to the Bundesbank's stern monetary policies.

One example was the role of Mr Blessing in the 1966 eclipse of Chancellor Erhard. A former Reichsbanker and Nazi party member who under Mr Schacht was in charge of monetary union with Austria in the 1938 Anschluss, Mr Blessing quickly found his feet - like many former Reichsbank functionaries - in the new democracy.

After the Bundesbank's high interest rates helped topple Mr Erhard - a man who had helped to foster Mr Blessing's post-war career the one-time protegé admitted he had used "brute force to put things

Although ensconced on Europe's monetary throne, the Bundesbank is not without rivals who seek to pull it down. The EC's plan for economic and monetary union (Emu) is not, as Lord Ridley, then UK secretary of state for industry, remarked in 1990 with grandiose failure of perception, "a German racket designed to take over the whole of Europe".

Rather, it is an attempt, led by France and Italy, to emasculate the Bundesbank by subsuming the D-Mark into a single European currency. The Bundesbank has long mounted a campaign to sabotage the plan. If, as a large majority of German voters now appears to want, Emu does not happen, the Bundesbank will not weep.

"We can very well live with the status quo." was Mr Pöhl's laconic comment in 1989. Mr Schlesinger said frankly in 1990 that his country would have neither the time nor the energy to carry out simultaneously German and European monetary union. By the time that the 125th anniversary of the Reichsbank is commemorated in the year 2000; the Bundesbank will surely be there to join in the celebrations.

David Marsh's book, The Bundesbank: The Bank that Rules Europe is published this week by William Heinemann, £18.99

Smiling, not drowning

The UK chancellor's economic policy is in ruins, but he has never seemed so cheerful, writes Peter Norman

oliticians are paid to be resilient. But Mr Norman Lamont is setting new standards of cheeriness in the face of apparent

Although his economic policy is in tatters and his credibility with the markets and many Conservative backbenchers is seriously diminished, he has never looked happier since becoming chancellor. Mr Lamont's puckish - almost

feline - grin was so much in evidence during the past weekend in Washington that he was asked by journalists why he was in such good humour. "I always look on the bright side," he said, adding: "My wife said she had never heard me sing in the bath before." As yesterday's 1 percentage point

cut in base rates shows, the chancellor has some reason to feel pleased with himself. Now freed of the constraint of the European exchange rate mechanism, he has been able to push the UK's short-term interest rates below those of Germany for the first time since the early 1980s.

The move is not without risk. Yesterday's sharp fall in sterling will have done nothing to further the government's stated goal of low

But there is no doubt that UK monetary policy in the ERM has been too tight, and this persuaded the Treasury and the Bank of England to sanction lower interest rates. At the same time, Mr Lamont's main objective is to save his political career. The rate cut could not be better timed in view of tomorrow's economic debate in the

The suspension of sterling in the ERM has opened up other opportunities for the embattled chancellor. It allows him to play the Eurosceptic card. In the Commons, Mr Lamont's position is widely perceived as weak after last week's



humiliation. But it is far from hopeless so long as he can establish himself as the cabinet spokesman for those Tories who are hostile to

His bid to grasp the intellectual leadership of the Euro-sceptics was apparent in Washington, just hours after the news of the narrow major-ity for the Yes vote in the French referendum on Maastricht. On Sunday afternoon Mr Lamont

had chaired a meeting of European Community linance ministers with the aim of providing verbal support for financial markets. He did his duty by the British presidency of the EC by reading a statement in which the ministers said they were committed to the European Monetary System "as a key factor of economic stability and prosperity in Europe'

Seconds later, however, he was wearing his British hat and issuing a far less enthusiastic statement about the EMS. "As far the UK is concerned, we have made clear that a number of important and fundamental issues will need to be addressed before sterling rejoins the ERM," it said.

His performance when answering

ency and passion with which he warned governments to heed public opinion when pushing ahead with plans for European integration. The man who had frequently appeared uneasy when expounding government economic policy in the months ahead of last week's decision to float the pound seemed on much surer ground when discussing the merits of a cautious political

approach to Europe.

The press conference gave an insight into some of the frustration he must have felt when negotiating the economic and monetary union part of the Maastricht treaty. He had, he said, explained "again and again and again" to his European colleagues that governments must take account of the wishes of the people of Europe. After the Danish No vote and the feeble French Yes. the chancellor clearly felt that his political beliefs and instincts had been vindicated.

What still has to be vindicated is the chancellor's belief that the UK economy will recover from recession. He takes care these days not to spy "green shoots of recovery" or prophesy "recovery around the cor-ner". But he is equally anxious "not to overdo the gloom".

On the plus side, he can point to a slight increases in non-oil gross domestic product and retail sa the second quarter and higher manufacturing output in both the first and second quarters of this year. Lower interest rates and a more competitive exchange rate following the floating of sterling may now inject the so-far missing ingredient of confidence.

After slogging through 22 months of grim economic news the thought that Britain might be poised for recovery would explain Mr Lamont's cheerfulness. But he will have to make sure that he does not unleash a bubble economy. For bub-

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Fast train to China



face flashed briefly across British TV

screens last week, just as FOREIGN the monetary AFFAIRS whirlwind was speed. So familiar that many viewers will hardly have noticed it. Six months ago, after all, the sight was an everyday one: Mr Chris Patten, then chairman of the Conservative party, standing beside the prime minister. The sad sequel is well

known. Mr Patten's triumph as party manager was marred by the loss of his own parliamentary seat, and he was sent off to govern Hong Kong. So what was he doing breakfasting with the prime minister, who surely had other things than Hong Kong on his mind last week? He had returned to London because in Mr Patten's judgment the affairs of Hong Kong merited a spot of prime minis

You are probably thinking that things in Hong Kong must be pretty had if the British government had to be bothered with them in such a week. Not a bit of it. The colony is booming. The deep gloom into which it was thrown by events in Tiananmen Square on June 4 1989 has almost entirely dissipated. For those events, traumatic though they were, did not usher in the long era of repression and retreat that many expected. The Chinese central government remains essentially authoritarian, but it has allowed capitalism to proceed apace in the provinces, and nowhere faster than in Guangdong, the province that borders Hong Kong. As China's economy grows, Hong Kong has thrived as never before, being the conduit for foreign trade and investment.

That leaves Mr Patten in a much happier situation as governor than he would be now as a British cabinet minister. Stamp duty and other indirect forms of taxation are pouring in. The public sector is showing a healthy surplus. He himself, as the first politician to govern the colony in its 150year history, has, according to opinion polls, won almost universal popularity. He has done this by his direct, meet-thepeople approach - a contrast with the aloof dignity adopted by previous governors.

So why should he need to other Mr Major? In the first place he knows from personal experience that opinion polls are fickle and honeymoons do not last. A fresh face, a glamor-ous teenage daughter, a witticism here and there can make you popular for a few months. But soon comes the moment when you have to take real decisions. These can seldom measure up to people's hopes, and if they are to make any real difference they are bound to upset vested interests.

Chris Patten faces his moment of truth in determining how Hong Kong is governed



experience as a junior Northern Ireland minister in the mid-1980s, that when interests are sharply polarised it is not only impossible to please everybody but dangerous to please anyone, since one side's admiration is enough to damn

you with the other. The moment of truth he has set himself is now two weeks away. On October 7 he will address the colony's legislature, and lay out his pro-gramme for the last five years

Mr Parten knows, from his seats in last year's elections to the Legislative Council (LegCo), believe they should now join the Executive Council (ExCo).

(The former body has to approve all legislation and the colony's budget, though it has no power to initiate expenditure. The latter is an advisory body consisting of permanent civils servants, plus some appointed pillars of the com-

Mr Patten, though he certainly has more respect than

The crunch issue for the governor is likely to be the manner of election for the colony's legislature after 1995

are hoping he will grab a few headlines in the UK and

Of course he can only achieve that if he keeps the content of the speech a surprise, but he expects it to cause considerable "reverberations", and wanted to be sure of full support from Mr Major before finalising the draft. Reverberations will no doubt come from many quarters, and notably from Mr Martin Lee's United Democrats, who, having won most of the directly elected

of British rule in Hong Kong. his predecessors did for Mr The date falls in the middle of Lee's democratic credentials. the Tory party conference, but has dropped several hints that even so Mr Patten's officials he does not see things this way. In his eyes the logic of the Hong Kong constitution, and the best hope of enabling it to function democratically under the Basic Law after 1997, lies in a clear separation of powers between executive and legislature. He believes the opposition would be better advised to concentrate on broadening the electoral base of LegCo and using it to check and supervise the government, rather than on securing repre-sentation in ExCo, which is in any case only an advisory

the Basic Law. If that, or something like it, is what Mr Patten announces on October 7, stand by for reverberations of a seismic order. China will probably threaten to derail the train and

hold elections for a new LegCo in 1997, using its own rules. That thought would have been enough to deter previous governors, but Mr Patten is not easily intimidated. He knows that China's rulers hold most of the cards, but he still has nearly five years in which to convince them that Hong Kong itself also has a hand to play.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Withdrawal from ERM stylish and result unwittingly good, but resignations an issue

ernor immediately after the From Mr Tetsuro Kikuchi. Sir. May I congratulate Britain on its stylish withdrawal from the ERM. For too long the British have been obsessed with interest rates to rightly or wrongly, as a sign that Britain's Hong Kong pol-icy has changed and will be less accommodating than it sed with interest rates to the detriment of the real prob-

The reverberations that count, however, will be those in Beljing, to which Mr Patten

will make his first visit as gov-

speech. The Chinese have

already given many signs of displeasure about his appoint-

ment, which they have taken,

was. Indeed, some Chinese offi-

cials have made a direct link

between the financing of Hong

essentially in the way Beijing says it prefers. Although Hong Kong officials believe this is a

less good deal for Hong Kong,

they do not see the issue as

important enough to give

China extra leverage over

The crunch issue, however,

is likely to be the manner of election, and hence the compo-

sition, of LegCo after 1995. Up

to now both Britain and China

have set considerable store by

the notion known as the "through train", under which

the LegCo elected in 1995

would remain in office through

the handover of sovereignty

and up to 1999. The Chinese

interpret this as giving them a

Mr Patten is keeping his own

cards close to his chest. He

cannot increase the number of directly elected seats (20) with-

out China's consent, but he

could expand the "functional

constituencies" which elect 30

members, and many of which

at present have small elector-

ates. He could also, more radi-

cally, allow the "election com-

mittee", a new body which is

to choose the remaining 10

members, to be elected in its

turn by the people - like the electoral college in US presi-dential elections. This would

create a LegCo half of whose

members would be democrati-

It is certainly not what the

Chinese want. In their eyes the purpose of the election commit-

tee is to enable the executive

to pack LegCo with its own

nominees. But it would not be

incompatible with the letter of

cally chosen.

veto over its composition.

political decisions.

lems of the economy.

Monetary policy is to the economy what petrol is to a car. if there is no car, the fuel is no good. In Japan when there is a

Kong's new airport and their fears that Mr Patten will recession a company first seeks appoint people to ExCo whom to improve its productivity; they regard as subversives, second to cut costs; third to such as Mr Lee.
On that point Mr Patten has called their bluff, by agreeing to let the airport be financed encourage government spending; and only finally, interest rates. In the UK, industry responds in the exact opposite order. It concentrates on the symptoms of a weak economy-high interest rates - and ignores the source of its problems, inefficiency.

The Japanese may have it wrong, though I am far from convinced that the British way is right. But those who wish to follow the German model should be warned that an independent central bank in the UK will not provide either a stable or strong currency unless it mirrors the realities of the economy. This is deter-mined less by bankers than by the behaviour of governments, companies and consumers. It is they who are independent - or rather inter-dependent - and who pay the piper.

Britain must now quickly find its own way to do things. Tetsuro Kikuchi economics editor (Europe), The Mainichi Newspapers Associated Press House, 12 Norwich Street, London EC4A 1BP

From Mr Stephen J Popham. Sir, May I be maverick enough to suggest that unwittingly, amid the chaos, the government may have achieved a near ideal policy mix (at the cost of putting back European integration a few years). By continuing in the ERM until now, inflationary pressures bave been dramatically reduced thereby softening the inflationary blow from the downward float that has occurred; by leaving the ERM now when Germany's interest

be radically different from our own, we have set ourselves up for lower interest rates - as shown by yesterday's cut to 9 per cent - and a sustained period of low inflationary growth. Of course the government still has the small matter of re-establishing confidence in its economic policies and on the foreign exchanges, but since it is at the beginning of a five-year term and is clearly committed to low inflation (whether inside or outside the ERM), maybe that confidence

Would that chaos always led to such good results! Stephen J Popham. The White House, Grayswood, Surrey GU27 2DJ

Sir, Both John Plender ("Theory of bond investment culture comes unstuck", September 19) and Lex on the same day, worry that the UK's exit from the ERM will lead to higher inflation.

It won't. Henry Kaufman (quoted in Anthony Harris's column, September 21) gives the reason: "Devaluations would probably be inflationary if European economies were pushing against capacity constraints. However, the reality is the opposite."

Short-term rates in the US have fallen to 3 per cent and long-term rates in the US have fallen to 7.3 per cent and US inflation continues to fall. Worldwide lay-offs continue. with General Motors, Siemens Medical and Swissair recently announcing cuts.

Dr Kaufman again: "The Fed [read: any central bank ex-Germany] continued to maintain. . vigilance against inflation...in the context of a dispirited economy....This took on some of the aspects of fighting the last war? Cut rates. Come back infla-

tion (when and if you can), all is forgiven! L W Harris III, deputy chairman

of equity strategy, Lombard Odier International rate needs are still projected to | London WCIA 2AJ

Sir, it may be that history never repeats itself, but the current sterling crisis seems uncannily like a variant of a previous one: that accompanying the end of the gold standard in 1931-32, Some quotes: "...the specu-

lator who sold sterling was betting on a certainty once its stability was in question...(on September 21 1931) an act suspending the gold standard was rushed through parliament. The value of the pound fell by will return surprisingly more than a quarter on the foreign exchange. Otherwise nothing happened. . . the anti-climax took everyone by surprise. Passfield spoke for all his late colleagues when he complained: 'Nobody told us we could do this'...This was the end of an age." (A J P Taylor,

English History 1914-1945). "A large number of countries...followed Britain off gold. By April 1932...the financial crisis was over. Bank rate was steadily reduced...The industrial depression was at its worst in the third quarter of 1932, but thenceforth all indices showed a strong upward trend, leading to the boom of 1937." (Sidney Pollard The Development of The British Economy 1914-1980).

To replace 1931 by 1992, and the gold standard by the ERM may be facile. But, so far, the parallels are striking. Simon Weil, 23 Rannoch Road, Hammersmith. London W6 9SS

From W S Ivens. Sir, I think it is about time for some resignations from the ranks of the Treasury officials who advised the chancellor on (a) the rate at which sterling entered the RRM and (b) the purchase of about £7bn of foreign currency to support this

The path to a working European monetary union is simply bound to be hard because of our different cultures and national loyalties.

Nevertheless, nothing has changed from last week and the idea of a united and inte-

live in a strong and civilised continent. This will not come easily and the events of the past week should not come as a surprise, but our political leaders and electorates are either prepared to grapple with these discomforts for the next 10 years, or else be submerged by periodic upheavals caused by national self-interest. As if the wars of 1914-18 and 1939-45 were not sufficient punish-

If European leaders keep calm, we shall all learn from this recent hiatus and grow undoubtedly more heartbreaks on the horizon.

I disagree with your editorial "Dancing amid the ruins" (Sep-tember 19) in which you imply that the prime minister, Mr credited. I just point the finger at the competence of the monetary and economic advice which both he and the chancellor and his predecessors have been receiving. W S Ivens.

Woodlands. Woodlands Lanc, Windlesham, Surrey GU20 6AS

From Ms Mary Emerson. On my return from holiday in Poland at the weekend, was not surprised to find that the pound had devalued - or floated as I gather the official term is. It had, while I was away, lost significantly against the Polish zloty, a currency not known for its own strength. Something must be amiss, l

Mary Emerson, managing director, Books for Students, Bird Road, Warwick CV4 CTB

From Mr Jonathan A Luttleton Sir, At an auction held in Frankfurt last weekend a £1m note, a prop for the film of the same name, sold for DM 2,400. Let us hope this is not an indication of next week's exchange

Jonathan A Lyttleton, grated Europe remains a necessity if the majority of Euro-

rate.

Observer

Trading down

■ In a stunning display of solidarity with the embattled Princess Diana, President Boris Yeltsin has traded in his Mercedes for something less flashy. The Russian Information Agency reports that he has returned to his old ZIL limousine – a vast, armour-plated black vehicle, shaped like a mobile version of Lenin's mausoleum.

The reasons are somewhat similar to those ascribed to the Princess. Yeltsin has gone back to his ZIL "after receiving criticism on one of his trips round the country that he was using a foreign make". But Yeltsin may also have drawn a lesson from the

experience of his predecesso

Mikhail Gorbachev, one of

whose expensive limos has just been stolen. That said, Yeltsin is likely to be making a lone stand. Citing sources in the government car pool, the agency reported that vice president Alexander Rutskoi, acting Premier Yegor Gaidar and top presidential aides Gennady Burbulls and Yury Petrov had all gone off their ZILs - but did not say what they used instead. As for Ruslan Khasbulatov, the parliamentary leader, "he prefers a Mercedes" – in spite of his much advertised concern

Thunderstruck

for the fate of Russian

industry.

Further evidence that God is not in favour of Maastricht Since its voters scraped up a Yes to the infamous treaty, France has been struck by 48,000 bolts of lightening, according to the French Met Office. Among the victims were 30 sheep.

Readers will remember that the Danish, who by contrast voted No. were awarded a surprise victory in the European Football Championship shortly after delivering their verdict which obviously met with approval at the highest level.

Rare party

Worldwide recession has taken its toll of the IMF annual meeting. Veterans of the event complain that the parties are far less ritzy than they used to be - and there are far fewer of them. Hence it's good to see that American Express can still be relied on in time of cocktall crisis.

The queue for its thrash on Monday evening stretched a quarter of a mile. Indeed, canapés had to be handed out on the streets of Washington to sustain the hungry bankers during their long wait.

Jumping ship ■ Price Waterhouse, the bean counters with an

ever-expanding portfolio of services, has broached intriguing new territory with the latest high-profile recruit to its management consultancy

Rival Ernst & Young recently hired Christopher Chope, a former transport minister. Now PW, not to be outdone, is to take on Margaret Hodge, the left-wing leader of Islington Borough Council, to advise on local government matters.

The culture shock may be considerable; a surprised PW spokesman used to the secretive world of accountants said news of the appointment emerged from the council, which "leaks like a sleve". Not so, retorted an outraged Islington bureaucrat who insisted it came from PW.



'It's not worth the paper it's printed on'

Whatever the truth, Hodge clearly has a strong head for strategic planning. It appears that she had been in discussions with the firm since before the general election.

Humiliating

Fresh evidence that last week's sterling crisis was worse than we thought. Among the currencies against which sterling collapsed was - wait for it - the Brazilian cruzeiro. Before devaluation, a Rio money changer would have anged the pound in your pocket for 12,145

inflation-battered cruzeiros. This week, he will only give you a miserable 10,470.

Eccentric

■ It's a funny old world inhabited by Britain's top mandarins, at least in their off-duty hours. Their recreations vary from 'eccentricities" (Robin Birch, Social Security department) to "collecting domestic anachronisms" (Robert Venables, Charity Commission), according to the

first edition of Dod's Whitehall Companion, the new Who's Who for Whitehall. The prime minister's

principal private secretary Alex Allan is a "deadhead" (or follower of the US rock group Grateful Dead). Professor Anthony Hawkins, director of fisheries research at the Scottish Office, is into whippet racing. And Ian Burns, head of the Home Office Police Department, likes "adventurous gardening" whatever that is.

There are at least two couples in the book. Rosalind Gilmore, who is chairman of the Building Societies Commission, fortunately shares the same recreations as her husband Brian (a big shot at the social security department): music and

John Rimington, director-general of the Health and Safety Executive, likes walking, gardening and watching cricket. Stella Rimington, meanwhile, does not disclose her recreations, or much else apart from a brief career history: Security Service 1969 director-general 1992. As chief spook hunter, she'll have whiled her days away as a lamplighter, pavement artist and scalp-hunter.

Balkan Wisdom

■ And finally, some good news for Albania - the British comic actor Norman Wisdom. now 77, has announced that he is returning to films and hopes to make some wacky television situation comedies. One of the more startling things Observer discovered in travelling to Albania before the collapse of communism was that Norman Wisdom was a national comic hero, thanks

Lucky old Albania.

to the Albanian state television

being unable to afford much

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FINANCIAL TIMES

Wednesday September 23 1992



IMF chief rejects US rates call

By Michael Prowse in

THE US administration clashed with the head of the International Monetary Fund yesterday over how to revive the world economy and restore order in financial markets.

Welcoming delegates to the IMF/World Bank annual meeting in Washington, Mr Nicholas Brady, the US treasury secretary, called for lower world interest rates, arguing that this was the best route to increases in investment, productivity and living standards.

When interest rates remain high for whatever reason, the returns on investment stay sterile in the banking system", he said. He was responding to a call on Monday from Mr Carlos Solchaga, Spain's finance minister

Gaidar says

squeeze

By John Lloyd and

ralling budget deficit.

needed to

cut deficit

Dmitri Volkov in Moscov

MR YEGOR GAIDAR, Russia's

acting prime minister, yesterday

told a sullen Russian parliament

that the government would seek

to enforce a tough credit and

monetary policy in an effort to stem hyperinflation and the spi-

In his starkest speech since

taking command of economic

reform less than a year ago, Mr Gaidar said the recent relaxation

of tough monetary policy had

reached a "dangerous point" and

must be reversed. "We will have

to toughen monetary policy in order to stop a destabilisation of

In a short debate after his

speech, deputies called for his

resignation. Significantly, these

calls came from leading members

of some centrist groups which had reluctantly supported the

government in the past. Speaking

to journalists later, Mr Gaidar

said he had no intention of

Mr Sergei Polozhkov from the

centrist Smena faction said that Russian industry would soon

stop completely, and called for an

"anti-crisis programme" and the resignation of Mr Andrei

Nechaev, economics minister, Mr

Anatoly Chubais, deputy prime

minister in charge of privatisa-tion, and Mr Peter Aven, minister

Civil Society faction contended

that the reform "was carried out in the interests of foreign busi-

ness", and called on Mr Gaidar to

Mr Gaidar and his colleagues

have stopped trying to put a posi-

tive gloss on the reform process,

emphasising instead the cata-

strophic nature of the country's

finances and productive base.

They are doing this in the appar-

ent hope that it will jolt the coun-

F.Franc

Continued from Page 1

in Frankfurt the Bundesbank

said that M3, the broad monetary aggregate, had expanded at an

annualised rate of 9 per cent

from 8.5 per cent in July. This suggests that inflationary pres-

sures in Germany are still high

and that German interest rates

may not be reduced again for

The figure for August M3

money supply compares with the

Bundesbank's target range of

3.39

try into accepting a renewed

Peseta

Mr Mikhail Chelnokov of the

for foreign economic relations.

the monetary system," he said.

making interim committee, for an increase in US interest rates.

However, Mr Michel Camessus, IMF managing director took a diametrically opposed position to Mr Brady, calling on Germany and the US to take immediate steps to cut their bud-get deficits but warning against a premature relaxation of monetary policy. Some will tell you that it

could be safe now to relax monetary discipline and so give a boost to activity ... but this would be the most serious mis-take we could make today." It was the weakness of fiscal and structural policies that had undermined confidence, caused high long-term interest rates and hindered growth, Mr Camdessus

"I urge prompt action to ensure

A communist makes his sympathies clear in Moscow

from August last year to August

this year by 15.6 times, while

wages had gone up by 10.6 times;

Some 13m people lived below a poverty line of an income a

month of Rbs1200 - \$5 at yester-

day's new market rate for the

Mr Galdar forecast a harvest of

96.7m tonnes of grain - signifi-

cantly below the 110m tonnes

forecast less than two weeks ago

by Mr Boris Yeltsin, the Russian

The only - qualified - good news was the privatisation of

18,000 small businesses and shops

with receipts to the government

of Rbs10bn, but this is behind the

currencies against the Dollar

attention to its money supply

the figure for M3 monetary growth in September could be

even worse because of the Bund-

esbank's intervention on foreign

exchange markets in recent

Italian lira, which has run to

Also affecting M3 in August

was the withdrawal by public authorities of DM3.8bn from their

eeks to support sterling and the

Several economists said that

Canada \$

\$ per Can \$

Rbs96bn annual target.

last year's.

esident, although better than

squeeze on expenditure. How-

ever, as Mr Gaidar has recently

noted, the government faces an

organised and aroused opposition

In his speech, Mr Gaidar

painted a picture of a country

racing towards collapse in which:

Production last month was

down 27 per cent on the previous

• Capital investment had been

cut to 46 per cent this year, and

would be down by about 55per

• The budget deficit stood at the

end of the first eight months at

• Inflation was rising to 4 per

cent a week, or more than 20 per

cent a month; prices had grown

Pressure for ERM realignment intensifies

the full year. Bundesbank offi-cials have admitted that this can-

As in previous months, bank lending remained a strong propel-

lant of money supply growth. The Bundesbank said bank cred-

its to the private sector had

grown at an annual rate of 11 per

cent over the past six months. Much of this reflected investment

in east Germany - a large part of it at subsidised interest rates

prompting disagreement

ong economists as to whether

not now be attained.

Escudo

and a weary population.

cent on the whole year.

August

Sterling

currencies against the D-Mark

2.80 🔨

dation in the US and Germany. I would also recommend firm fiscal action in other European countries, most notably Italy", he

Firm action to reduce deficits was sensible despite signs of a hesitant world economic recov-ery. "Any further postponement of fiscal retrenchment out of con-cern for possible short-term effects on activity would contribute to a worse environment," he

On the other hand, "credible action to reduce budget deficits would improve confidence, lower inflationary expectations and produce a downward adjustment of long-term interest rates. All these would more than offset any short-term contractionary

Japan's recent fiscal stimulus,

Japan had earned a "prudence dividend" by following tough budgetary policies for many

Mr Camdessus urged European countries to "reinforce further their monetary co-operation" following recent turbulence. The European Monetary System had improved exchange rate stability and been an effective spur for "more disciplined monetary and fiscal policies" and had the "potential to contribute significantly to a stronger performance of the world economy

The broader lesson from currency instability was that countries had to learn to co-operate more effectively and implement a "medium-term strategy" consist-ing of tight monetary policy, fiscal retrenchment and structural reforms to liberalise markets.

Belgrade's efforts to stay in UN under threat

By Michael Littlejohns in New York and Judy Dempsey

A LAST-DITCH attempt by Mr the rump Yugoslavia, to avert its expulsion from the United Nations appeared doomed last night as the General Assembly prepared to take up the issue on

the General Assembly. Privately, western officials stressed that they did not want to do anything to harm Mr Pan-ic's standing and they acknowledged his political courage. But they reiterated their view that Serbia and Montenegro must follow the same route as the other republics of former Yugoslavia and apply for independent mem-

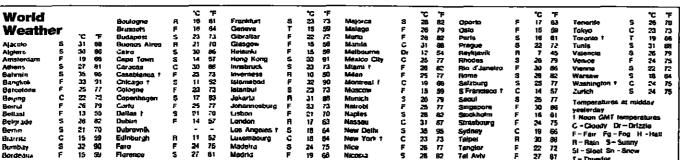
Mr Lawrence Eagleburger, the US acting secretary of state, said he helieved Mr Panic was working hard and constructively to bring peace to the region, but both he and Mr Hurd agreed there were "very serious problems" to be resolved before the penalties imposed on Belgrade could be lifted. Any of the permanent members of the Security Council could block its membership application through a veto. In an appeal addressed to all UN members, Mr Panic said the case of Belgrade's membership affected the rights of all small states and its expulsion would set a dangerous precedent: Today it is Yugoslavia: tomor-

member state of the UN." He had asked to address the Assembly tomorrow during what is known as the "general debate", but sought the floor last night to defend his government against a resolution proposing its removal from the UN.

Whatever the UN decision, Mr Panic is determined to strengthen his fragile base in Serbia, despite threats by its ruling Socialist party of another no-

wants to change the federal con-stitution to place the television, or at least one of the two main channels, under federal control. This will require support from Serbia's judges, who over the

Yugoslavia's exit, Page



between 3.5 and 5.5 per cent for the Bundesbank pays too much

goals.

in Belarade

Milan Panic, prime minister of a recommendation from the Security Council.

Mr Panic pleaded his case in an hour-long meeting with the foreign ministers of the council's five permanent members – the US, Britain, France, Russia and China. They reaffirmed their rejection of Belgrade's claim to be the automatic successor to a state that was a founding mem-

ber of the UN. Mr Douglas Hurd, British foreign secretary, repeated that position on behalf of the European Community in his address vesterday and insisted that a delegation from the new "Federal Republic of Yugoslavia" should not participate in the work of

bership if they wished to be in

row it may as well be any other

confidence vote against him.

On his return to Belgrade, he will try for control of the television, currently monopolised by Serbian president Slobodan Mil-osevic. Television is the main information source for rural areas supporting Mr Milosevic. To achieve this, Mr Panic

past five years, have been appointed by Mr Milosevic.

THE LEX COLUMN Earning credibility

James Capel's research into the implications of forthcoming accounting changes is all the more authoritative for its workmanlike approach. Companies have little room to quiver with rage at its findings, even though these reveal an extraordinary impact

to coin a phrase - on published
earnings per share. Last year's earnings figure at Courtaulds Textiles would fall by nearly half to 19.1p if the new approach were applied. British Aerospace would have reported a loss of 43p instead of 27.2p.
Ideally the volatility of earnings fig-

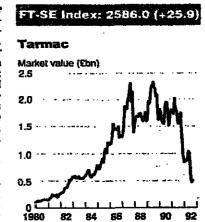
ures under the new regime should cause the market to take a more considered look at the full picture. In practice, investors may want to estab-lish a common yardstick for valuing shares relative both to the market as a whole and to other companies in the sector. The operational cash-flow figure may help. At least it is undistorted by differences in depreciation policy. But the most likely outcome, as Capel suggests, is that companies will iron out fluctuations in stated earnings by publishing a "normalised" figure too.

The danger is that this would leave us back where we started. There is no reason to assume that company-normalised earnings figures would be any less suspect than those declared at present. Brokers could produce normalised figures independently but the market could not cope with a plethora of figures. Besides, as we have been reminded by the debate over the status of research that has followed the controversy at UBS Phillips & Drew, it is open to question how far broker estimates would be likely to stray from a company-set norm.

UK economy

The cynical view of yesterday's base rate cut is that it was timed to distract attention from a particularly poor set of trade figures. Doubtless the government is glad to have got the cut away with scarcely a murmur from the exchange markets. Perhaps that leaves room for further reductions. but the spike in index-linked gilts shows that the financial markets are not oblivious to the inflationary risk. And the trade figures point to caution

down the road. The most obvious explanation for the weakness of manufacturing exports and strength of imports in the run-up to the ERM crisis - that the exchange rate was overvalued - is also the least likely. There was precious little complaining from industry



on that score. The trend could mean some flickering of recovery in which case the devaluation was less neces-sary than it seemed. That would be borne out by the August retail sales, but contradicted by survey evidence and other indicators. Or there could be a structural weakness, whereby even a recession-bound Britain is forced to

supply itself abroad. In that case, recovery will quickly make the trade figures worse in spite of the devaluation, and not just because of the infamous J-curve effect. From the new year there will be an unnerving information vacuum while the statisticians adjust for the European single market. By then worries about Britain's trade performance could keep sterling under pressure, upsetting interest rate hopes.

Tesco

Tesco's interim results showed that it has pulled out the stops to keep profits moving forward, but the mar-ket is distinctly unimpressed. Indeed, with sales growth slowing, Tesco's focus on productivity improvements and staff restructuring could be a sign of a company on the defensive. Particularly so, since Sainsbury and Safeway are likely to report sales, volume and earnings growth well ahead of Tesco in the current half.

The intriguing issue remains why Tesco has been hit harder by the recession than the other two big food retailers. In part this could be because its customer base is more affected by the downturn than the others, as the company says. But that may reflect a fundamental weakness in Tesco's position. Sainsbury has a secure position

as the market leader, especially in the south, It also has a quality image and inspires strong customer loyalty. In an increasingly competitive market Sainsbury seems likely to come out on top. Yet in the Midlands Tesco is its-ing sales to the discount retailers and has had to respond by offering chesper lines. By fighting on two fronts Tesco risks blurring its image and pleasing

neither of its audiences. While the recession has uncovered the difficulties, recovery will not end them. Discount food retailing is now an established and growing force. Returns from new superstore openings will continue to edge lower as the market saturates. Unless Tesco can get sales moving again, this year's fall in its rating may endure. The market has a good record of spotting weakness in the food retailing sector.

Tarmac

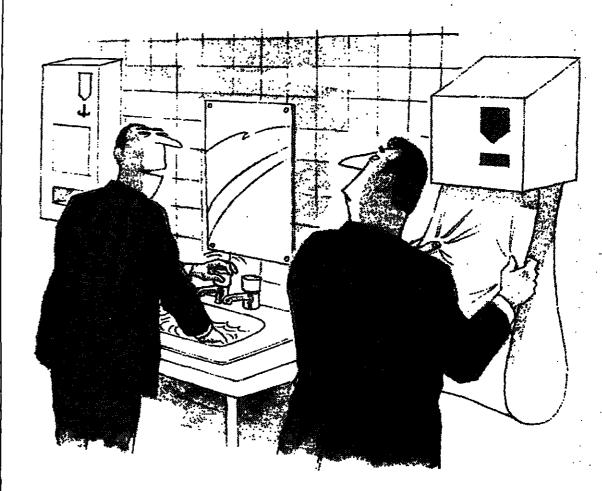
It is easy to groan at Tarmac's decision to pay an unchanged dividend. It is also wrong. Maintaining an annual payout which costs £40m certainly looks rash in the face of zero profits this year and perhaps only £25m in 1993. But the profound shake-up now under way - aimed at positioning the group's assets for the 1990s and getting the balance sheet under control

- means that earnings will in any case be largely irrelevant for at least the next two years. Paying the dividend out of the cash flow from disposals might not seem prudent either but given that the group is being shrunk it is not unreasonable for shareholders to be handed back a part of their stake.

It is late in the day, of course, but the evidence suggests that Mr Neville Simms, the new chief executive, really is now in charge. Chopping back the housing division is as important symbolically as it is financially. One suspects, moreover, that the determination to put businesses on the block will not necessarily stop with indus-trial products and building materials. None of this disguises the fact that

the trading outlook in most of Tarmac's businesses is grim, and that sector overcapacity will not quickly be resolved. It will be 1994 at the earliest and probably 1995 - before there will be serious earnings growth.
Meanwhile, though, a 9.4 per cent

vield provides reasonable support. While there is still no case for being overweight in the builders, Tarmac looks as good a way as any to gain exposure to the sector.



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OTHE FINANCIAL TIMES LIMITED 1992

Wednesday September 23 1992



Michelin

returns to

profit of

INSIDE

Pinault makes offer to Au Printemps

Pinault, the acquisitive French retailing group, has offered to buy out the minority sharehold-ers in Au Printemps, the department store chain for which it mounted a controversial par-tial bid last year, for FFr780 a share, signifi-cantly less than the FFr1,105 a share originally offered. Page 20

Hays up 1% after tough year

Hays, the UK business services group, raised pre-tax profits by 1 per cent to £57.4m (\$100m) in a year which it said had seen improvement in the British economy. Mr Ronnie Frost, executive chairman, gave yesterday's UK base rate reduction a cautious relcome: "It will obviously help, but recovery is not going to happen overnight — people will be cautious for some time." Page 26

And Next, a recovery

Next, the UK fashion retailer, continued its recovery with a pre-tax profit of £8.3m (\$15m) in the first half, compared with just £200,000. The advance came from slightly reduced turn-over of £212.6m as the group reduced its peripheral activities. Page 25

Russian oil disappears



Russian authorities have declared war on corruption in the oil industry, the country's key earner of hard currency. Abuses range from fiddles by officials to state-owned producers' use of foreign partners to get money out of the country instead of handing it over to the gov-ernment. Bribes to officials for allowing irregular exports of oil and oil products exceeded \$100m in the first half of this year. Mr Mikhail Gurtovoi, head of the government's anti-corruption commission, says 3.5m barrels "disappeared" in the second quarter of this year.
Page 30

Bangkok lifted by political calm Bangkok's bulls paused Thailand -

Bangkok SET Index 90Q. ·

after a frenzy of buying which has generated record trading volumes on the Stock Exchange of Thailand, and pushed cent since troops killed at least 50 pro-democracy demonstrators on the streets of the capital

Source: Determined in May. Stockbrokers had been anticipating a mild correction this

Market Statistics

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Companies in this issue

Airbreak Leisure Arcolectric Au Printemps CrestaCare Credit Lyonnais Devenish (JA) Elswick

1.1

Marston Thompson Michelin 28 Michelli 28 Mitsubishi Materials 28 Mucklow (A&J) 22 National Mutual 19 National Westminster Natio 27 Next 28 14 Norish 22 Pinault 27 Queen 27 Queens Moa 22 RAS 25 Rand Mines Most Houses Sea Containers Seafield Resources Gota Bank Greycoat

22 20 TT
31, 25 Tarmac
4e 25 Taylor Woodrow
25 Tesco
26 Thomson-CSF Harrington Kilbride Hartons Hays Hewlett-Packerd IBM IoM Steam Packet Co James Capel Jardine Matheson Chief price changes yesterday

373 - 19.2 Saurent TOKYO (Yes) 428 1700 + 180 542

CREDIT increase in provisions.

The collapse in net profits -from FFri.6bn to FFri19m (\$22.03m) - triggered a profits warning from Thomson-CSF, the

Thomson-CSF, which three years ago acquired its 15.5 per cent stake in Crédit Lyounais in return for ceding control of Altus, its old financial subsidiary, produced net profits of FFr2.35bn last year.

sharply when they resumed trad-

Crédit Lyonnais' shares ended the day FFr42 down at FFr510 and Thomson-CSF's shares slipped by FFr12 to FFr135.9. This will be the second successive year of high provisions for

Crédit Lyonnais. It raised provisions 85.6 per cent to FFr6.3bn in the first half of this year and warned it would be forced to make hefty write-downs in the second half. Crédit Lyonnais attributed the

problems of its Dutch subsidiary and the Paris property market.

Last year it saw net profits slip to FFr3.16bn from FFr3.71bn, after doubling client risk provisions to FFr9.5bn because of losses on loans to clients such as Mr Robert Maxwell, the disgraced

British media magnate. The bank, chaired by Mr Jean-Yves Habérer, also warned that its second-half banking activities could be affected by the uncertain economic environment.

per cent to FFr24.4bn in the first half with gross operating profits increasing 33 per cent to

Crédit Lyonnais's results mark the start of the interim reporting season for France's big banks. Although the aggressive Credit Lyonnais is seen as the most exposed of the French banks, analysts are bracing themselves for increased provisions across the industry because of the weakness of the Paris property market and the sluggish state of the

MICHELIN, the world's largest tyremaker, yesterday announce

a turnound approaching FFr2bn to a net profit of FFr820m (\$151.8m) in the first half of the year, from a FFr1.06bn loss in the same period of 1991.

The improvement came chiefly from cost savings including 11,400 job losses and a reduction in stocks to 23 per cent of annual sales by the end of June, from 26

per cent a year earlier. Michelin will have lost 16,000 jobs by the end of this year, when the lay-offs will be complete, said Mr Eric Bourdais de Charbonnière, finance director. He said the improvement was "more than satisfying", although Michelin's main competitors also

improved their performance this year. However, the stock market had expected a bigger recovery and Michelin's share price price fell FFr4.7 to FFr199.8, as analysts lowered their full-year profit forecasts. Michelin's improvement came

on a sluggish tyre market, with volume sales up only 3 per cent. It increased prices for replacement tyres in the second quarter by between 3 per cent and 7 per cent in Europe and slightly less in North America. Michelin does not divulge prices of new tyres supplied to carmakers, usually on long-term contracts.

Group turnover rose 5.6 per

cent to FFr34.8bn from the first half of 1991, or by 8 per cent adjusting for currency changes, on which operating costs were steady at FFr32.88bn. "For the coming months, we continue to expect small growth in the world tyre market," said Mr Bourdais de Charbonnière.

The group held its 20 per cent share of the world tyre market, but lost an unspecified share in North America because of the closure of two out-dated factories belonging to Uniroyal Goodrich, the US tyremaker Michelin bought two years ago. However, Michelin planned to increase production capacity there to compensate, said Mr Bourdais de Charbonnière.

A capital increase this year could not be ruled out but the stock market "recently has not

been encouraging".
Goup borrowing fell from FFr31.6bn to FFr29.5bn over the past year, on which interest payments decreased from FFr1.54bn to FFr1.37bn. Half-year operating profits rose from FFr1.25bn to FFr2.72bn. Valeo results, Page 20

Crédit Lyonnais hit by provisions suspended yesterday only to fall rise in first-half provisions to the

By Alice Rawsthorn in Paris

CREDIT Lyonnais, the state-controlled French bank which has come under criticism for its aggressive expansion strategy and loans policy, suffered a sharp fall in net profits in the first half of 1992 following a steep

French electronics group which is a significant minority share-

corporate

rospace Correspondent BRITISH Aerospace yesterday announced it would retain its

jet division

corporate jet business, reversing

an earlier decision to sell a majority stake in this profitable sector. The move came on the

eve of the company's announcement of its interim results.

The company apparently failed to secure a sufficiently attractive

offer for this business.

The City of London expects it

to report little or no profits

because of its weak car and prop-

erty businesses. In addition, it

could write-off as much as £750m

on various problem areas, mainly its regional aircraft

operations. Investors are also

braced for a possible dividend

Mr John Cahill, BAe's new

chairman, is also due to unveil a

radical restructuring as part of the company's recovery strategy.

BAe's announcement that it

would maintain control of corpo-rate jet activities was timed to coincided with the start of the

Dallas business aircraft trade

BAe said last May it was trans-

ferring its corporate jet business

into a new company called Cor-

a majority stake in this activity.

that, after reviewing a number of proposals, it had decided it

was in the best interests of

shareholders, customers and

employees to retain the business.

Mr Dick Evans, BAe's chief executive, said yesterday he was

pleased uncertainty surrounding

this activity had been lifted and

"we can now concentrate .. on

further improving our leading

BAe manufactures the 125-800

medium-sized twin-engined cor-

porate jet and a longer-range

BAe 1000 at Chester with sales, design and engineering support at Hatfield. These activities

Analysts estimated the corporate jet business to be worth around £200m (\$354m).

Beech Aircraft, the business

aircraft subsidiary of Raytheon

of the US, was understood to have been interested in acquir-

ing BAe's corporate business.

Dassault of France and Bombar

dier of Canada indicated this

month they were not interested.

Although the business contin-

nes to make money, BAe origi-

nally decided to sell a control

ling stake because of the

BAe has a leading position in

the medium-sized corporate jet market with a share of between

developing future products.

45 per cent and 50 per cent.

employ about 1,200 people.

position in the market place".

However, it said yesterday

BAe to

retain

By Paul Betts,

Gomez, chairman of Thom-son-CSF, warned that the company would not meet its profits forecast for this year because of the shortfall from Credit Lyon-

The shares of both Crédit Lyon-

nais and Thomson-CSF were

Andrew Jack reports on the first company-by-company analysis of the impact of the forthcoming changes

Accounting review brings

A centimetres thick has been causing a loud thump as it landed on the desks of investment institutions throughout the City of London

over the past few days.
"Accounting Matters", a guide to the work of the Accounting Standards Board (ASB), has emerged after six months of drafting in the London headquarters of James Capel, the investment house. In 26 sections it contains the

first comprehensive attempt to quantify the effect of changes in the financial reporting require-ments being introduced for the accounts of the leading 200 British quoted companies.

The analysis shows a picture of widespread change. It illustrates a substantial alteration to cashflow multiples and reported earnings figures generated by the new requirements. It also highlights the possible effects of a number of other issues on the agenda of the ASB. Capel's analysis emphasises

the impact of the ASB's first financial reporting exposure draft (Fred 1), likely to come into effect later this year.

The draft will require companies to split out results of compa-nies acquired during the year, separate continuing and discontinuing activities, all but abolish extraordinary items and show more clearly the profit or loss generated by the disposal of revalued fixed assets.

One of the most important effects will be to increase sharply the volatility of earnings, the firm argues. With extraordinary items all but abolished, and those remaining included in earnings calculations, the figure will become far more "lumpy".
It shows that at George Wim-

pey, for example, the 1991 reported loss per share of 7.5p would be increased to 11.7p under Fred 1. At Ranks Hovis McDougall, the inclusion as required by Fred 1 of the £65m (\$112m) extraordinary charge shown in the 1991 results would have reduced earnings per share from 34p to 16.9p.

The change reflects the ASB's desire to move the attention of readers of accounts away from a single number - earnings substantial costs and risks of towards a wider range of indicators of a company's performance. But the firm suggests that readers will still want to refer to earnings, and the new standard

bright red document six will generate a confusingly wide range of alternative figures: the existing reported earnings; the new Fred 1 version; one produced by the company smoothed over five years; and others generated by different City analysts.

Capel itself will be publishing its version of the earnings figure, which will use the Fred 1 method, but exclude costs of withdrawal from a business segment, gains or losses from disposal of properties, and some other "unusual items".

The aggregate price earnings ratio for the FT-Actuaries indus-trial sector, excluding oil, in 1991 would be 16.6 using Fred I, 15.1 with the Capel figure, compared with 15.7 using existing reported

earnings.

Capel also says that while Fred 1 requires companies to separate the profits generated during the year internally from those con-tributed by acquisitions, analysts will still need to strip out organic growth for acquisitive companies

Cashflow multiples are changing substantially as a result of the first financial reporting standard on the cashflow statement, which became mandatory for year-ends after March 23 this

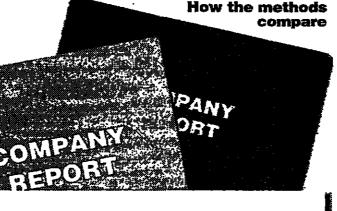
apel says its old cashflow per share figure based on the source and application of funds statement no longer works. For example, over the period 1990-92, the difference between the old calculation and a new one based on the cashflow statement is as high as a fall of

49 per cent in the case of BICC. Looking forward, the firm comments on a number of future standards. It warns that proposals to amortise goodwill and to revalue regularly fixed assets which are depreciated will be

highly contentious. In contrast to some recent attempts to make overall judg-ments on the state of company accounts - notably Mr Terry Smith's book "Accounting for Growth" which caused considerable anger among some of the companies cited - the Capel team says no general message

emerged.

"This is not a scorecard," said
Mr David Gray, deputy head of
research, who admits that companies were sensitive about the firm's purpose in re-casting the numbers. "We tried to find some



	Rep	orted	F	red		JC	
	1991	1990	1991	1990	1991	1990	
Asda Group	8.7	9.0	8.7	15.1	8.7	8.8	
BAT	27.9	23.9	27.9	47.5	34.3	32.8	
Carlton Comms.	29.6	42.8	25.4	100.3	29.6	42.8	
Cookson	1.8	12.4	(2.7)	4.2	4.4	12.5	
De La Rue	25.9	13.3	25.5	(24.1)	25.9	6.7	
Johnson Matthey	24.5	17.5	24.2	(12.5)	22.2	17.6	
RHM	29.5	25.2	22.2	59.4	29.0	23.6	
Scottish & Newcastle	34.1	28.6	29.0	127.8	30.6	25.4	
Unigate	22.3	31.5	(28.4)	27.2	20.7	27.6	
Wimpey	(7.5)	8.3	(11.7)	0.2	3.6	10.8	

[into a general set of rules] but highlighted could be established with a little research, but any-

The firm is generally positive although it does highlight several problems. "The changes should give analysts more reliable numbers and more background detail to work with and should ease the interpretation of company accounts," the document says. Reaction to Capel's document

has so far been muted. Mr Ronald Henderson, finance director of BICC, said: "The size of the tome put me off. So much of what might change is still speculative. Most of the issues

with a little research, but anything that improves the clarity of about the work of the ASB, accounts for readers is helpful." He stressed that he was "broadly supportive" of the work of the ASB, but did not believe it represented as much of a revolution as some commentators were

suggesting.
"I have to confess I haven't read it all," said Mr Roger Woods, finance director of George Wimpey. "But it does show the need to focus on cashflow per share and place less sole emphasis on earnings."

Lex, Page 18; Details, Page 28

This announcement appears as a matter of record only

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Tarmac to reduce home building after £15m loss

By Andrew Taylor,

TARMAC, Britain's biggest housebuilder, is to cut the num-ber of homes its builds by up to a fifth after one of the worst trad-

ing periods in its history. The company also intends to pull out of commercial property development and to raise cash to reduce debts by selling more of

its business. The group, unveiling its proposals yesterday, said it had incurred a £15.1m (\$26.7m) pretax loss in the first six months of this year against an £18.2m pretax profit during last year's first

Tarmac's shares rose 8p to 78p after the company said it planned to pay an unchanged interim dividend of 3p. It also expected to pay a maintained final dividend resulting in a total payment of

Mr Neville Simms, chief executive, welcomed yesterday's deci-sion to reduce British base rates by one percentage point but warned this would not be enough to stimulate a UK housing market recovery.

The company intends to cut the number of homes its builds to between 7,000 and 7,500 next year from about 8,500 this year and 9,300 homes last year. Tarmac, which would still be

Britain's biggest housebuilder, expects to free about £100m from capital employed next year by reducing its building programme. The company also plans to run down its commercial property division and to increase sales of non-core businesses.

Disposals have raised £100m this year and could reach £200m by the end of this year depending on the sale for about £80m of Econowaste, the group's waste disposal business.

company's industrial products division could raise £100m next indicate it is willing to sell its Ruberoid roofing business acquired for £141m in 1988.

Mr Simms said disposals were expected to reduce gearing to less than 40 per cent by the year-end. This compared with gearing approaching 60 per cent at the end of June when net debt stood at £744m.

Three of the group's seven divisions incurred losses in the first half. Commercial property lost £6.2m, Tarmac America lost £1.5m and building materials excluding quarry products lost

Quarry profits fell from £24m to £13.5m; housing profits slipped from £9.9m to £7m; contracting profits fell from £10.7m to £9.3m. Lex, Page 18; Market, Page 31;

Pinault in

Printemps

shareholders

By Alice Rawsthorn in Paris

PINAULT, the acquisitive

French retailing group, has offered to buy out the minority

shareholders in Au Printemps,

the department store chain for

which it mounted a controver-stal partial bid last year. The offer of FFr780 (\$154) a share

is significantly less than the

FFr1,105 originally offered. The first bid, which trans-

formed Pinault from an indus-

trial company dominated by timber interests into one of

France's foremost retail con-

cerns, ran into controversy

when Au Printemps' minority

shareholders complained at

being excluded from the deal

between Pinault and the Maus-

Nordmann family that con-

offer to

Tesco growth slows to 10% as recession bites

By John Thornhill in London

PROFITS growth at Tesco slowed to 10 per cent in the first half of the financial year as the UK's second-biggest grocery chain ran into the brunt

of the recession. Higher operating margins and contributions from 12 new stores enabled the company to lift pre-tax profits to £251.8m (\$445m), but Tesco said there were clear signs of customers cutting their household spend. At the interim stage last year profit growth was 22 per cent. Sir lan MacLaurin, chairman, said: "I have been in this industry for 30 years and I have never experienced trading conditions like this before.

"Confidence has absolutely gone and is at zero in this

By William Dawkins in Paris

VALEO, the leading French

maker of car components, yes-

terday reported a 63 per cent

rise in net profits to FFr408m

(\$75.55m) in the first half of the

year, from FFr250m in the first

tyre-maker which unveiled a

sharp earnings recovery yester-day, Valeo owes much of the

Like Michelin, the French

six months of 1991.

Consumers have been shot to

to try to regenerate confi- have lagged behind those of its

in the 24 weeks to August 15, group sales, excluding value added tax, rose 9 per cent to £3.41bn of which 2 percentage points was generated from existing stores and 7 points from new selling space.

Operating profits climbed 17 per cent to £234.9m as Tesco benefited from improved productivity levels and the extended use of information technology.

The operating margin climbed 0.5 percentage points to 6.9 per cent but interest receivable fell from £29.4m to

Sir lan said Tesco's sales performance was better than the industry average with market share improving from 9.6 per cent in February to 9.9 per cent in July. However, he conceded Tesco's sales increases might

Demand from the car indus-

try continues to be weak, reflected in an 8 per cent rise

in turnover from FFr10.3bn to

FFr11.1bn over the same

period. Operating profits after

finance charges rose by 64 per

However, Valeo booked

FFr218m in restructuring costs

in the first balf as it

arch rival, J. Sainsbury. The average spend in Tesco's super-stores fell by 3 per cent to £30 during the half-year.

The company said there had been a fall in food price inflation in recent months to the present level of 1.5 per cent. Sales were currently running 8.5 per cent higher with new stores contributing 7.5 per cent and existing stores experiencing a 0.5 per cent volume

in current sales trends," Sir lan said. Staff productivity was sharply higher as the number of employees fell 3 per cent to

decline. "In the short-term we

do not anticipate any increases

85.081. Fully diluted earnings per share rose 10 per cent to 9.04p. The interim dividend was lifted 12.5 per cent to 2.25p.

and a UK factory to make cli-

mate controls.

This spending came out of

cash-flow, but Valeo still man-

aged to reduce its debts by

FFr685m over the period, to FFr2.26bn by the end of June,

which represents 30 per cent of shareholders' funds.

trolled Au Printemps.

The new offer, which is worth just over 70 per cent of the original bid, seems to con-Valeo rises 63% on weak demand firm the minority investors' concern. Pinault yesterday claimed it was impossible to charges in a poor economic international competition. compare the price of the two transactions, given that the Investments, by contrast, rose by 25 per cent to FFr708m, first offer involved buying a 66.6 per cent controlling holding in Au Printemps. reflecting the completion of an electronics plant in France, an engine cooling plant in Italy,

Pinault also said the new price reflected the current market value of Au Printemps shares, which were suspended yesterday morning at FFr650 pending the announcement. Pinault's shares were suspended, too. The shares of both companies will resume

trading today.

Meanwhile, Pinault is trying to complete the sale of its old industrial interests to reduce the debt incurred by the Au Printemps deal and other acquisitions, including that of the Conforama chain of furniture shops. Pinault last mouth sold Isoroy, one of its original timber businesses, to Glunz, the German timber products

 Casino, the French super markets group which recently took over by Rallye, one of its main competitors, returned to the black in the first half of 1992 with net profits of FFr23.4m against a net loss of FFr8.3m in the interim period last year.

RAS lifts premium income 13.1% cial markets and the unclear

GROUP premiums at Riunione Adriatica di Sicurta (RAS), the Italian insurance company con-trolled by Allianz of Germany, rose by 13.1 per cent to L2,590bn (\$2.07bn) in the first half of this year.

The improvement contributed to a 15.2 per cent increase in underwriting earnings to L96.2bn from L83.5bn in the first half of last year. RAS predicted the upturn would con-tinue to the end of the year, in spite of the continuing slow recovery in the loss-making motor sector owing to weak

The group shied away from forecasting the trend for overall profits this year because of

prospects for extraordinary items by year-end.

Parent company premiums rose by 11.3 per cent to L1,730bn, while directly-written Italian business grew by 12.7 rates for life insurance were faster for private individuals than for groups or companies. Premium growth on the nonlife side was "satisfactory" in spite of steps to weed out non-profitable lines.

• Alenia, the stock market-

listed aerospace and defence company which is part of the state-owned Finmeccanica group, reported a plunge in pre-tax group profits in the first half to just L2.6bn

COKE

(\$2.07m) from L10bn in the same period last year. Group sales were L2,370bn, against

Earnings have been hit by the worldwide crisis in the civil and military aviation industry and the fall in the value of the dollar. However. Alenia claimed profits had been supported by cost-cutting and exchange-rate hedging. leaving its results in line with

expectations.
The sharpest falls in production had come on the military side, while output levels on civil aviation projects and sub-contracting work had been maintained.
The group said new orders in
the first half reached L1,740bn,
leaving the order book

 Sogefi, the auto components concern controlled by Carlo De Benedetti's CIR group, raised pre-tax profits before minority interests in the first half by almost 119 per cent to L39.5bn (\$31.5m) from L21.4bn in the same period last year.

The surge came largely through the L19.9bn in extraordinary earnings from the DM160m sale of Sogefi's stake in Boge, the German car parts group, to Mannesmann earlier

The bulk of the proceeds have been used to reduce the group's borrowings, which fell to L86bn at the end of June from L199.2bn at end-December 1991. First-half group sales rose by 11.5 per cent to L344bn.

Skoda smoothes out the bumps

Ariane Genillard examines the car manufacturer's new bearing

KODA Automobila, the Czech car company in which Volkswagen of Germany is building a 70 per cent stake, expects to break even this year, thanks to rising productivity and higher

Volkhard Kohler, vice-chairman, said that after a bumpy ride in its first year, when a loss was recorded, the venture would break even in 1992 and make profits from next

Plans were well advanced to raise a \$1.2bn syndicated loan which would be used to finance the start of an DM8bn investment programme designed to double production capacity to 460,000 cars a year by the mid-1990s.

Existing capacity of 200,000 is expected to be fully utilised this year, compared with 172,000 in 1991. This is partly a result of higher productivity, with the company making 860 cars a day, compared with 560 earlier this year.

Improved productivity has resulted mainly from organisational changes as the venture's capital expenditure programme has got into

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US\$100 000,000 Floating Rate
Subordinated Capital Notes Due 1998
For the three marshs 23 September 1992 to 27
Docember 1992 the Notes will carry an interest
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of US\$8 17 per US\$1.000 note
Listed on the Lurembourg Stock Euchange
Agent Morgan Guaranty Trust Company

U.S. \$150,000,000 Republic New York

Corporation

17.76 17.76

Some DM60m (\$40m) was invested in the Czech plants last year, with a further



Bumper sales: Skoda cars parked in a UK stockyard

DM300m planned for 1992, mainly for the construction of a new paint shop. Investment next year is expected to reach DM1.04bn and will peak in 1994 with an estimated DM1.6bn, falling to DM1.3bn in 1995.

Domestic sales, down to 27,000 cars in 1991, are expected to reach 85,000 this year, boosted by the launch of an upgraded "Sport-Line" model and tariff changes which have made imported cars more

expensive. Škoda has also increased sales to Germany, mainly to the eastern provinces where

the appetite for cheap cars is growing. Exports to Germany, are expected to reach 60,000 this year, representing more than 60 per cent of the company's exports to EC coun-

The joint-venture's two-year tax holiday is due to end in 1993, when Skoda will be subject to corporate tax of about 45 per cent. But the effective tax charge

is expected to be minimal, thanks to depreciation allowances on its increasing capital expenditures and the five-year tax loss carry forward allowed

under the new tax code. Meanwhile, a question mark still hangs over the future of the remaining 30 per cent stake in the joint-venture owned by the Czechoslovak

Credit Suisse First Boston which structured the original deal, under which Volkswagen bought a 31 per cent stake in Skoda for DM620m in April 1991 rising to 70 per cent by 1995, is currently working on the sale of the government's

At Volkswagen's insistence. the terms of the joint venture make it impossible for the government to sell its shares directly to the public.

Instead, investors, both local and foreign, will probably be offered shares in what will still be a government-controlled investment fund which will house the shares.

nvestors will probably be offered dividends but not voting rights, which will remain with the fund, although the details are still being finali-

Once the decision is taken to proceed with the sale, however, shares in the fund are expected to become among the most sought-after assets in Czecho-

Ĵ

SEB set to gain control of Gota

cent to FFr702m.

improvement to lower intensified its cost-cutting production costs and finance drive in the face of tough

NOTICE OF EARLY REDEMPTION

To the Holders of

VISHAY INTERTECHNOLOGY, INC. 434% Convertible Subordinated Debentures Due 2003

(the "Debentures")

(Convertible into Common Stock of

NOTICE IS HEREBY GIVEN that, pursuant to the terms of the Fiscal Agency Agreement, dated as of July 28, 1988, between Vishay Intertechnology, Inc. (the "Issuer") and Citibank, N.A. (the "Fiscal Agent"), as amended (the "Fiscal Agency Agreement"), under which the Deben-

tures were issued, the Company has exercised its right to redeem, and will redeem, the Debentures on October 23, 1992 (the "Redemption Date") at a price of 102% of the principal amount thereof plus accrued interest thereon to the Redemption Date (the "Redemption Price").

Payment of the Debentures will be made upon presentation and sur-render thereof together with all coupons appertaining thereto matur-ing after the Redemption Date, at the option of the holder at the offices of the Paying and Conversion Agents set forth below. The Redemption Price will become due and payable upon each Debenture on the Rede-mption Date, and interest thereon shall cease to accrue on and after the

Redemption Date.

The holder has the right through the close of business, on the Redemption Date, to convert the Debentures called for redemption into Common Stock, \$.10 par value per share, of the Issuer (the "Common Stock") upon surronder of the Debentures, together with all unmatured coupons appertaining thereto, to the Paying and Conversion Agents set forth below, together with a conversion notice fully executed. In accordance with the terms of the Fiscal Agency Agreement, no payment or administrate shall be made upon any conversion on account of

ment or odjustment shall be made upon any conversion on account of any interest accrued on the Debentures surrendered for conversion or on account of any rividend on the Common Stock issued upon conversion.

The Debontures are currently convertible into Common Stock at a onversion price of \$19.71 per share.

Citibenk (Luxembourg) S.A., 16 Avenue Marie-Therese,

Citibank (Switzerland). CH-8021 Zurich, Switzerland

PAYING AND CONVERSION AGENTS

Citibank N.A., 111 Wall Street, 5th Floor, New York, New York 10043, (For Registered Debentures)

Any payment made within the United States or transferred to an

Any payment made within the United States or transterred to an account maintained by a non-US payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Ser-wee (IRS) and to backup withholding at rate of 20% if payees not recog-nized as exempt recipients fall to provide the paying agent with an exe-cuted IRS Form W-8 certifying under penalties of penjury that the payee is not a United States Person. Payments made within the United States approximated 15 states are reportable to the IRS and those 118.

is not a United States Person. Payments made within the United States to non-exempt US payees are reportable to the IRS and those US payers are required to provide to the Paying Agent an executed IRS form W-S certifying under penalties of perjury the payer's taxpayer identification number temployer identification number or social security number, as appropriate) to avoid 20% withholding on the payment. Failure to provide a correct tax payer identification number may also subject a US payer to a penalty of \$50.

Citibank N.A., Citibank House,

336 Strand, London WC2R 1HB

Citibank N.A.,

VISHAY INTERTECHNOLOGY. INC.

tember 23, 1992, Landon

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's leading private commercial bank, is set to become owner of the Gota group, a holding company that owns the country's fourth-largest bank, Gota, and two smaller banks.

Five years ago, SEB lent SKr1.1bn to Gota AB, the holding company, and in return acquired 100 per cent of the shares in Gota Bank as a secu-

Bank announced credit losses for this year would reach SKr8bn, double its previous estimate, adding that operating loss for 1992 would be SKr3bn

suspended all payments to creditors because of funding

to SKr4bn. Last week, Gota group In response, the Swedish government promised to guar-

antee Gota Bank's commit-

ments to private individuals,

companies and other creditors.

rity. On September 9, Gota But it added it would not guarantee the obligations of Gota the holding company.

It is now probable that SEB will seek the SKr1.1bn in loans made to Gota from the state. Mr Bjorn Svedberg, chief executive of SEB, said last night that the most important consideration for the bank was to secure the return of the SKr1.1bn it lent to Gota. Gota Bank is owned 100 per cent by Gota, the holding company, which is owned by insurance

conglomerate Trygg-Hansa.

Standard & Chartered Standard Chartered PLC (incorporated with limited flability in England,

£300.000.000 Undated Primary Capital Floating Rate Notes of which £150,000,000 comprises the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months period (91 days) from 22nd September to 22nd December 1992 the Notes will carry an interest Rate of 9 1/2 per cent per

The interest payment date will be 22nd December, 1992, Coupon No. 30 will therefore be payable on 22nd December, 1992 at £1,181.01 per coupon from Notes of £50,000 nominal and £118.10 per coupon from Notes of £5,000



J.Henry Schroder Wagg & Co. Limited Agent Bank

Notice of Conversion Price Adjustmen

GOLDSTAR CO., LTD. ("the Company") US\$70,000,000 31/4 per cent. Convertible Bonds due 2006 (the "Bonds")

CITIBANCO

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED (INCORPORADE ON AMERICAN ADDITION OF JOSSES)

CITIBAN(

U.S.S70,400,000 Secured Class A3 Floating Rate Notes due June 1997 Notice is herby given that the flate of Interest has been fixed at 3.95° and that the interest payable on the relevant Interest Payment Date December 23, 1992 in respect of U.S.\$50,000 nominal of the Notes will be U.S.\$499.24 and in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$998.47

By Cabanh, N.A. (Issuer Services), Reference Agont CITIBANC® September 23, 1992, London

CITICORP • U.S. \$250,000,000

Floating Rate Subordinated Capital Notes Due September 1996 Notice is hereby given that the Rate of Interest has been fixed at 5.25% and that the interest payable on the relevant Interest Payment Date December 23, 1992 against Coupon No. 33 in respect of U\$\$50,000 nominal of the Notes will be U\$\$663.54 and in respect of U\$\$10,000 nominal of the Notes will be U\$\$132.71.

ber 23, 1992, London September 23, 1992, London By Citibank, N.A. (Issuer Services), Agent Bank CITIBANCO 374 per cent. Convertible Bonds due 2006 (the "Bonds")
NOTICE IS HEREBY GIVEN to the holders of the Bonds fret the Company has issued to the holders of its common stock and of its preferred stock and to employees rights to subscribe for up to 11.3 million shares of common stock of the Company.

Such rights will be issued pursuent to the Company's Board of Directors' resolutions passed on 29th June and 9th September, 1992.

The record data for such grant to the holders of its common stock and preferred stock is 7th October, 1902.

terred stock is 7th October, 1992.

A further Notice will be given to the Holders of the Bonds of any resulting adjustment to the Conversion Price in relation to the Bonds.

23rd September, 1992 By: Citibank, N.A. (Issuer Services)

RIGGS NATIONAL CORPORATION
US \$100,000,000
FLOATING RATE SUBORDINATED NOTES DUE 1996 n accordance with the provisions of the Notes, notice is hereby given that for the period 22 September 1992 to 22 December 1992 the Notes will carry a rate of

nterest of 5%% per annum with a coupon amount of US\$132.71. CHEMICAL RANK

> RIGGS NATIONAL CORPORATION US \$60,000,000 FLOATING RATE SUBORDINATED NOTES DUE 1996

In accordance with the provisions of the Notes, notice is hereby given that for the period 22 September 1992 to 22 December 1992 the Notes will carry a rate of nterest of 5 1/1% per annum with a coupon amount of US\$132.71.

CHEMICAL BANK AS AGENT

DIVIDEND NOTICE PLACER DOME INC.

Notice is hereby given that a regular quarterly dividend, being Dividend No. 22 of six and one-half cents (61/2¢) 'U.S. per Common Share, has been declared payable on December 21, 1992 to shareholders of record at the close of business on November 20,

Shareholders with addresses in Canada or Australia will be paid the equivalent amount in the currency of the respective country.

BY ORDER OF THE **BOARD** John A. Eckersley Vice-President, Secretary and General Counsel September 16, 1992

🏰 Nationwide. \$75,000,000 Subordinated Floating rate notes due 2004

Notice is hereby given that the notes will bear interest at 9.65625% per annum from 21 September, 1992 to 21 December, 1992. Interest payable on 21 December, 1992 will amount to \$240.09, per \$10,000 note. Nationwide Building Society

2140,000,000 Class A 27,000,000 Class B Mortgage Backed Floating Rate Notes due September 2030

Floating Rate Subordinated Capital Notes due 2009 Capital Notes due 2009

Notice is hereby given that in respect of the Interest Period from September 23, 1992 to December 23, 1992 the Notes will carry an Interest Rate of 5½% per annum. The coupon amount payable on December 23, 1992 will be U.S. \$132.71 per U.S. \$10,000 Note. By: The Charte Hambattan Bank, R.A. London, Agent Bank

Junior Guaranteed

Financière Crédit Suisse-First Boston



Interest Rate

3%% per annum

Interest Amount due 23rd December 1992 per U.S. \$ 5,000 Note per U.S. \$100,000 Note

Credit Suisse First Boston Limited Agent

Agent: Morgan Guaranty Trust Company **JPMorgan**

HIMC MORTGAGE NOTES 6 PLC

Notice is hereby given that for the interest Period from September 21, 1992 to December 21, 1992 the Class A Notes and Class B Notes will carry interest rates of 5%% and 10%% respectively. The interest payment date, December 21, 1992 for the Class A Notes will be 22,393.10 and for the Class B Notes will be 22,579.58 per \$100,000 nominal amount.

By: The Chase Manhatlan Bank, N.A. September 23, 1992

Financière CSFB N.V.

U.S. \$150,000,000

Undated Floating Rate Notes Guaranteed on a subordinated basis as to payment of principal and interest by



Interest Period

23rd September 1992 23rd December 1992

U.S. \$ 42.66 U.S. \$853.13

BASE RATE CHANGE

Union Bank of Switzerland, London announces that

with effect from the close of business on 22nd September, 1992 its Base Rate was reduced from

10% PA to 9% PA.



Union Bank of Switzerland, PO Box 428, 100 Liverpool Street, London EC2M 2RH. incorporated in Switzerland with limited liability.

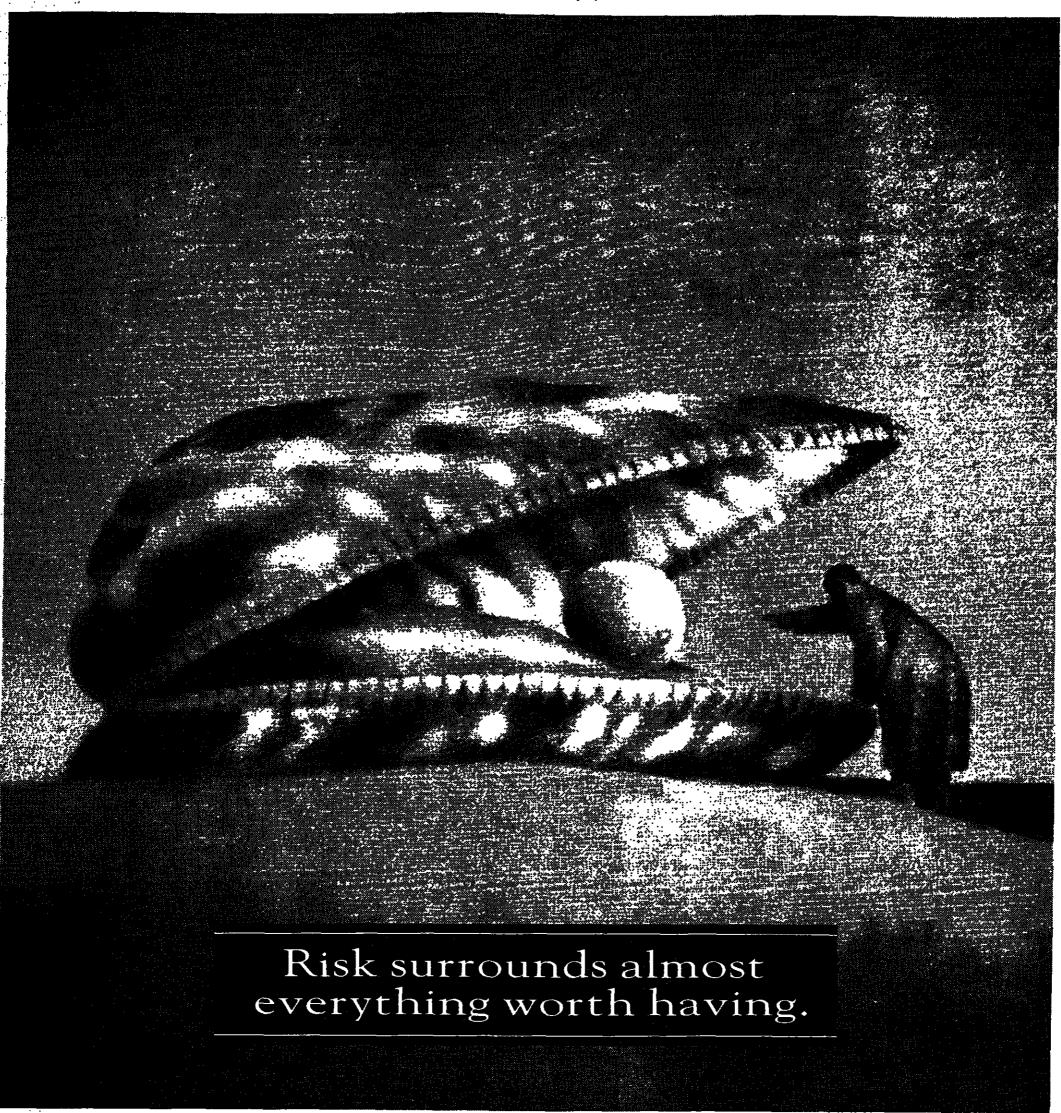
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Maybe you're building cars. Maybe you're building buildings. Between you and your corporate goals lies a complex set of risks.

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Bankers Trust

Rand Mines to split into four units

By Kenneth Gooding, Mining Correspondent

RAND MINES, which in the past year has been transformed from a diversified mining group into a coal mining business with some marginal gold mines and exploration interests, is putting its operations into four independent business units: coal; property; gold and exploration; and platinum.

The South African company last year consolidated its successful coal mining interests in Witbank Colliery and renamed it Randcoal. This company and Rand Mines Properties are already listed in Johannesburg. other two units. Goldco and

Platco, on the Johannesburg stock exchange.

Analysts suggested the impetus for change came from Barlow Rand, Rand Mines' controlling shareholder, which lost patience with its subsidiary's unsuccessful diversification away from its core coal busi-

In the past year Rand Mines has sold its: platinum interests to Impala Platinum; • vanadium operations to

Vanadium Technologies: chrome business to Saman-forestry operations to Sappi,

granite mineral rights to

covered spent a total of \$4.9bn

on research and development

industry on its way to an enor-

mous revenue base - \$100bn

worldwide by the end of the

century," he said.
"In this past remarkable year

we have seen both euphoria

Analysts suggest there is not much left in the gold and platinum operations. Rand Mines retained a shareholding in Barplats, its platinum company, but had to take on millions of

rands in debt in the process. The company manages four struggling and marginal gold mines - Blyvooruitzicht, Durban Deep, East Rand Proprietary Mines and Harmony but has reduced its sharehold-

ing in each below 10 per cent. Mr Derek Cooper, managing director of Barlow Rand, said the the restructuring would enable the different businesses to be evaluated on their merits without the confusion of crosssubsidisation. Secondly, respective managements could now

clearly focus on their businesses without the distraction of other, in some case, unrelated activities

Thirdly, it allows investors. including Barlows, to take a view on each business and scale their investment accordingly," he said. Mr Cooper stressed, however,

"this is not the precursor of an unbundling of Barlow Rand." Barlow Rand has set up a new division, Barlow Rand Mineral Resources, which will contain the restructured mining interests and Pretoria Port-

The restructuring had been well signalled, and Rand unchanged at £6 yesterday.

public financial markets for biotechnology stocks," the company, whose market

capitalisation is \$60bn.

Twenty biotech-derived drugs and 600 diagnostic Euphoria pushed the total products are on the market, including Amgen's Neupogen market capitalisation of the biotech industry up from \$35bn which had first-year sales of in September 1991 to a peak of \$60bn at the end of year, then regulatory setbacks for a few \$230m. The industry has a further 135 drugs in human well-publicised biotech drugs. clinical trials and 21 awaiting Food and Drug Administration combined with a swing back to cyclical stocks on Wali Street, pulled the sector's capitalisation back down to

Although human drugs dominate the sector, Ernst & Young says "ag-bio" is set to emerge as an area of rapid growth, led by biological pesticides and genetically

ly-owned newspaper publishing group, said its parent company pre-tax profit in 1991 rose to DM76.1m (\$51.33m) from DM71.6m, while group sales rose 10.3 per cent to DM1.37bn. The company said business

with printing and electronic media was satisfactory in 1991; advertising was difficult due to increasing competition from Burda expects its results for

1992 to be similar to 1991. It said it would continue to use profits for investments. Capital spending in printing and computer equipment should rise to almost DM300m over the next

Goldman Sachs' \$1.15bn secret is out

By Martin Dickson

h New York

GOLDMAN SACHS, the US investment bank whose financial results have long been a closely-guarded secret, has finally been revealed as the most consistently profitable firm on Wall Street, making a pre-tax profit of \$1.15bn in the 1991 fiscal year.

The figure was revealed in this week's edition of invest-ment Dealers' Digest, a US financial magazine, which obtained a copy of a memorandum distributed by the firm over the summer to potential investors in a \$400m issue of

Goldman is the last big pri vately-owned partnership on Wall Street and as such is not required to publish its financial statements.

Its position at or near the top of most Wall Street league tables means it has long been one of America's most success ful investment banks, and thus known to be extremely profitable.

However, the degree of financial success revealed by the memorandum has surprised some analysts. The \$1.15bn earned in the year to last November was well ahead of the pre-tax profits of rivals like Morgan Stanley and Salomon, while figures for the years 1987 to 1991 also showed the firm outstripping its rivals.

However, in the first six months of the current year it made \$662m, down 12 per cent on the same period of 1991 and below both Salomon and Mer rill Lynch.

Its revenues for the half year, net of interest expenses came to \$1.91bn, down from \$1.96bn. Revenues from market-making and principal transactions - investing for the firm's own account came to \$1.5bn, down slightly from 1991. Commissions and fees totalled \$410m.

Jardine Matheson increases first-half profits to \$151.8m

By Simon Holberton in Hong Kong

JARDINE MATHESON, the diversified Hong Kong trading terday posted a 12.4 per cent rise in net profits to US\$151.8m in the six months to June 30 from \$135.1m in the same period last year.

Profits were struck on a 12.6 per cent rise in turnover to \$3.8bn from \$3.38bn. The directors declared an interim dividend of 3.7 cents a share, up 9 per cent on the 3.4 cents last

Mr Henry Keswick, chairman, underlined the advantages of the company's geo-

strength of its balance sheet. He said these gave the board confidence that satisfactory results would be achieved in

Although the company's results were broadly in line with predictions, there was surprise at the better-than-exected performance of Jardine Pacific, the core of the restructured Jardine Matheson. Earnings for the subsidiary

rose - mainly because of the strong performance of its motor vehicle offshoot - in spite of a weak performance in Japan, where the recession affected profits.

The company said Jardine

National Mutual to list HK arm

graphical spread and the Pacific's financial services and security divisions performed well, but engineering and con-struction - of which its halfownership of Gammon is the core - performed less well.

JIB Group, the company's UK-listed insurance broker, made \$19.3m in the first half Unfavourable market conditions and the as yet unresolved problems at Lloyd's will mean that full-year profits are likely to fall short of earlier hopes, the company said.

Jardine Fleming, its joint venture brokerage, increased its operating profit during the first half. Funds under management grew 8 per cent to

US biotech industry heads for maturity

By Clive Cookson, Science Editor

(42 per cent more than the preous year) and made a net loss **BIOTECHNOLOGY** companies are accelerating rapidly towards commercial maturity, of \$3.4bn. But Mr Steven Burrill, Ernst according to a comprehensive & Young's US director for high annual survey of the US bio-tech industry released yestertechnology services, predicted that the industry's sales would rise quickly enough to bring it to overall profitability within two or three years. "We see the

The Ernst & Young report shows that industry's total revenues rose by 28 per cent in 1991-92 to \$8.1bn - product sales accounted for \$5.9bn and the remaining \$2.2bn came from licence fees and collaborative research income.

The 1,200 biotech companies

Cerus hit by

loss provisions

By William Dawkins in Paris

company of Mr Carlo de Bene-

detti, the Italian financier, yes-

terday announced fresh prob-

and disenchantment in the Merck, the largest US drug

recorded by the holding company's main investment. Valeo

CERUS, the French holding lems with a FFr377m (\$74.46m) loss for the first half, due to

heavy provisions at its banking The shortfall, which compares with a FFr315m loss in the first six months of 1991. tal before these results. comes despite the strong gains

COMPANY NEWS IN BRIEF

the French car components

• Duménil-Leble, Cerus' 76 per cent owned banking subsidiary, recorded a FFr492m loss. after FFr540m of provisions for losses on property investments and the closure of its Swiss

Cerus announced that it planned to inject fresh funds into Duménil-Leblé, which had FFr650m of shareholders' capi-

The amount of the recapital-

(SISIE), belongs to the Schneider engineering and building Burda, the German private-

isation has yet to be decid-

Ernst & Young point out the

entire biotech industry is

valued at slightly less than

• Mrs Edith Cresson, the forto chair a French-owned international consulting company for which she worked briefly before becoming prime minister in May 1991, Reuter reports

Her new employer, Services Industries Strategies International et Environnement

about \$50bn.

mer French prime minister, is from Paris.

NATIONAL Mutual, Australian insurance investment group, plans to list its Hong Kong insurance subsidiary on the colony's stock

Mr Gil Hoskins, group managing director, said yesterday the listing would be the first in Hong Kong of a leading domestically-based insurer and would thus establish a new sector of

> the colony's investment mar-Mr Hoskins gave no indicaof the size of flotation, but he tion said National Mutual would

float a 25 per cent share of the

business. National Mutual says the Hong Kong business's annual premium income grew to HK\$2.5bn (US\$325m) in fiscal 1992 from HK\$250m in 1986. It employs about

Mr Hoskins suggested National Mutual would use the Hong Kong flotation as a platform for further Asian expansion. "The Asian Pacific region HK\$800m.

is where we see our main growth coming from in future vears." he said. We plan to grow elsewhere in the region, initially targetting Taiwan and Indonesia. In

the long term, the greater

China market, once it opens up, would be of interest to the National Mutual is also a significant funds manager in Asia through its Meridian Global Funds Management arm which

manages assets of more than HK\$5bn. Simon Holberton in Hong Kong adds: The National Mutual float is expected to be the largest public offering in the colony since the 1990 flotaChina Morning Post by Mr Rupert Murdoch's News International which raised

National Mutual has received preliminary positive indications from the Hong Kong Stock Exchange and the colony's insurance commis-

sioner for the float. Mr Geoff Tomlinson, associate director for National Mutual's international operations, said that the issue would be a combination of new and old shares. Capital raised through the issue of new shares would be retained within the company, while the proceeds from

the sale of existing scrip would be repatriated to Australia. He said in the longer term, National Mutual's Hong Kong subsidiary would make an ideal vehicle for the life office's ambitions in the China market.

IBM, H-P launch new computers

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines and Hewlett-Packard both have launched new aggressively-priced, high-performance PCs aimed at corpo-

rate buyers. However, reflecting the cut-throat competition in the PC market, AST Research, a leading clone maker, matched and in some cases undercut

IBM and H-P prices with new models of its own. IBM launched 12 new models in its PS/2 Premium line and announced a new warranty

H-P claimed its new PCs were cheaper than comparable products from Compaq Computer and provide more features than similarly-priced PCs from Dell Computer and AST. TBM has called for redemp\$1.2bn outstanding of its 7% per cent convertible subordinated debentures due November 2004. It also called for redemption on November 14 of all \$250m outstanding in World Trade Corp 10% per cent notes

due November 1995. The 10% per cent bonds will be redeemed at 101 per cent of principal plus accured interest, and the 7% per cent bonds at 101.575 per cent plus accrued

Poseidon Gold Limited

Results for the the year ended 30 Iune 1992



Poseidon Gold Limited ("PosGold") is the gold arm of the Normandy Poseidon Group, an Australian based and largely Australian owned resource finance group. It directly owns significant low cost operations and also controls three of Australia's largest gold operations through major shareholdings in Gold Mines of Kalgoorlie Ltd., Mt Leyshon Gold Mines Ltd. and

North Flinders Mines Ltd. Significant Events

- PosGold merged with ACM Gold Ltd.
- PosGold increased interest in Mt Leyshon to 75.6%
- Record Net Profit of US\$36.4m
- Record Production of 437,155oz • Increased Reserves by 62% to 4.2m oz Held cash costs constant at US\$220/oz

Profit	Year Ended June 1992	Year Ended June 1991		
Consolidated Sales Revenue	US\$379.6m	US\$323.5m		
Operating Profit before abnormals,tax and minorities	US\$93.0m	US\$50.7m		
Net Profit after tax and minorities	US\$36.4m	(US\$6.1m)		
Earnings/Dividends				
Earnings per Share	US9.6¢	(US0.3¢)		
Dividends per Share	US6.7¢	US3.7¢		
Production				
Group Production	890,059 oz	716,452 oz		
Equity Production	437,155 oz	337,346 oz		
Reserves/Resources				
Equity Resources	7.2m oz	4.2m oz		
Equity Reserves	4.2m oz	2.6m oz		
Costs				
Weighted Average Equity Cash Cost	US\$220/oz	US\$220/oz		

Note: All amounts quoted in US dollars are Australian gotars convened to achieve the US dollar equivalent at the exchange rate of A\$1.00 = US\$0,74

The results for 1952 reflect only a 3 month contribution from North Finders Mines Ltd. and the operations formerly owned by ACM Gold Ltd.

Annual Reports for these companies can be obtained by writing t The Company Secretary, PosGold, 100 Hutt St Adelaide SOUTH AUSTRALIA 5000

or Telephone: +618 303 1700 | Facsimiller: +618 202 0198

Figures for 1891 have been restated in accordance with new Australian accounting standards to allow meaningful compa

Bramalea suffers C\$34m loss over nine months By Robert Gibbens

BRAMALEA, one of the three key property companies of Toronto's Edper-Bronfman group, suffered a nine-month loss of C\$34m (US\$27.80m), or 38 cents a share, and warned that a further big write-down would be taken in the fourth

quarter. Bramalea, caught in the North American property crisis, owns residential and commercial properties and a large land-bank. It would not say how big the fourth-quarter write-down would be, but analysts estimate it at C\$400m to

C\$500m. The company has proposed a five-year restructuring designed to reduce total debt from C\$4.5bn to C\$2bn and has already sold assets and written down some carrying values. Its bankers have agreed to

defer principal and interest payments on land and other non-revenue producing assets but holders of C\$524m of secured debentures are resisting a plan that would pay them

in equity and give them almost 50 per cent ownership. Bramalea's revenues totalled C\$589m in the nine months, down 4 per cent from a year earlier. The company reported a profit of C\$4.3m, or 2 cents a share in the 1991 period.

Trizec, which owns 72 per cent of Bramalea, warned that its own 1992 results would be adversely affected by the Bramalea write-down. Trizec's nine months' consolidated earnings were C\$10.4m, against C\$45.6m, on revenues of C\$1.04bn, against C\$1.03m.

Carena, the third Edper-Bronfman property company, will also be affected since it owns 23 per cent of Bramalea

Mitsubishi Materials buys

German company By Robert Thomson in Tokyo

MITSUBISHI Materials, the Japanese metals refiner and manufacturer, has announced the acquisition of Lefo-Formenbau, a German maker of dies

for injection moulding. Lefo is to be wholly acquired for DM8.4m (\$5.60m). It supplies equipment to the European power tool, electrical

components, and audio and visual cassette industries. Mr Takehiko Mizugai, managing director, said the acquisi-tion "will permit Mitsubishi Materials to respond to Euro-pean demand with greater

efficiency", Investment by Japanese manufacturers in European operations slowed last year, but there remains strong interest among larger companies in strategic acquisitions of smaller manufacturers.

NOTICE OF REDEMPTION

GRINDLAYS EUROFINANCE B.V.

(incorporated with limited liability in The Netherlands

and having its registered office in Amsterdam) US \$100,000,000 Guaranteed Floating Rate Notes 1992 unconditionally and irrevocably guaranteed on a subordinated basis as to payment of principal and interest by

GRINDLAYS BANK PLC

NOTICE IS HEREBY GIVEN to the holders of the US \$100,000,000 Guaranteed Floating Rate Notes 1992 NOTICE IS HEREBY GIVEN to the holders of the US \$100,000,000 Guaranteed Floating Rate Notes 1992 ("the Notes") of Grindiays Eurofinance B.V. ("GEF") that pursuant to the provision of the Trust. Deed dated 29 September 1992 made between GEF, Grindiays Bank Pic and Law Debenture Corporation Pic as Trustee, GEF will redeem all outstanding notes on 30 September 1992 (the Redemption Date) in accordance with paragraph 5 (a) of the terms and conditions of the notes at a redemption price of 100% of the principal amount of each definitive note together with accrued interest from 30 March 1992 to 30 September 1992. Payment of the redemption price and accrued interest, which will aggregate US \$102,683.33 and US \$10,268.33 for each \$100,000 and \$10,000 principal amount of Notes respectively, and will be made on or alter the Redemption Date upon presentation and surrender at any one of the offices of the Paying Agents set out below together with Coupon No. R20 in respect of interest due on the Redemption Date attached, failing which the amount of any such coupon which is missing will be deducted in US Dollars from the sum due for payment. The Notes will no longer be outstanding after the Redemption Date. The redemption price will become due and payable upon each Note on the Redemption Date.

The Paying Agents for the Notes are as follows:

Avenue des Aris 35 Brussels 1040

23rd September, 1992

Midland Securities Services irporate Actions Department Sulfolk House 5 Laurence Poutney Hill

as Principal Paying Agent lorgen Guerenty Trust Co of New York Kredietbank SA Luxembourgeoise 43 Boulevard Royale PO Box 1108

as Paying Agents

Stravinskylaam 1725 1077 ZX Amste

Grindlays Eurolinance 8.V.

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5 Henover Square New York

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However that isn't enough.

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WANTED WASHING SECONDON SNEW YORK STOKEN FROM KONG

against the D-Mark. The 9%

per cent gilt due 2002 rose from

103% to 104% by late afternoon.

the yield curve, prices dropped

in the morning on fears that a

cut in interest rates could lead

to higher inflation, especially

now that sterling is not a mem-

ber of the ERM. The 9 per cent

gilt due 2011 opened at 97일, but

recouped some of its earlier

■ITALIAN government bonds

were pulled lower during the

morning session by the weak

tone in the French and Ger-man markets but also rallied

later on hopes for a general

The 10-year fixed-rate gov-

2002 closed at 91.64, from 91.58

at the opening. On Liffe, the

RTP future traded up to 92.80

in late trading, from 92.52 at

the opening and a low of 92.15.

■ SWEDEN'S central bank held

its marginal lending rate at 50

ger-dated government bonds

NEW INTERNATIONAL BOND ISSUES

realignment of the ERM.

losses to end at 97#.

Markets rally strongly on realignment speculation

By Simon London and Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets staged a strong rally yesterday afternoon on rumours of a general realign-ment of the exchange rate mechanism, although these were denied by government officials and central bankers.

GOVERNMENT BONDS

The largest afternoon gains were seen in the French mar-ket, where the bond futures contract rose nearly a point in late trading. The benchmark 8½ per cent 10-year bond closed on a yield of 8.48 per cent, from 8.62 per cent on Monday.

Rumours centred on a 5 per cent upward revaluation of the D-Mark block currencies and a 3 per cent upward revaluation of the franc. This would imply an effective 2 per cent devalua-tion of the French currency against the D-Mark but French bonds rallied on the premise that a general realignment would allow the Bundesbank and other central banks to cut interest rates.

The franc remained under pressure on the foreign exchange markets, The trading at around FFr3.42 against the D-Mark, against a floor within

The government said the 1993 budget bill will not be introduced into parliament until September 30 a week later than expected. Analysts are expecting a reduction in government expenditure.

■ GERMAN government bonds led European markets lower during the morning session following the release of figures showing German M3 money supply growing at a higherected annual rate In the futures market, the

December 10-year contract rose to 91.13 in late trading, but during the morning the contract hit a low of 90.33 having opened at 90.60. Volume was heavy at 98 500 contracts. The benchmark 8 per cent 10-year bund closed on a yield of 7.48 per cent, from 7.51 per cent on Monday. The Bundesbank's favoured

measure of money supply grew at an annual rate of 9 per cent

in August, from 8.5 per cent in July. The target rate of growth is 3.5 to 5.5 per cent, suggesting further interest rate cuts are unlikely. Indeed, fears that August's money supply figures would be inflated by interna-tional inflows into the D-Mark appeared to have little foundation. The numbers showed only a small rise in time deposits, the most likely destination for inflows of international cash. The strongest component behind the overall rise in M3 was an increase in notes and

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BENCHMARK GOVERNMENT BONDS

denis.) Prices: US, UK in 32nds, others in decimal Technical Datal ATLAS Price Sources

monetary growth is being driven mainly by domestic economic conditions.

■ YESTERDAY'S 1 percentage point base rate cut, and specu-lation of a further easing in German interest rates, buoyed UK government bond prices, prompting gains of nearly a point for short and mediumdated conventional gilts. However, the strongest gains emerged in the index-linked sector, where fears of higher inflation now that sterling has left the exchange rate mechanism of the European Mone-

tary System have encouraged

coins in circulation, suggesting strong demand for index-linked

Index-linked issues gained nearly five points yesterday with the 2½ per cent index-linked gilt due 2020 rising from 112½ to 117½ by late afternoon.

The Bank of England issued

a £600m tranche of 4% per cent index-linked stock due 2004, available with effect from today - and the second tranche of index-linked stock to be issued this week. The bank sold £500m of indexlinked stock on Monday. Conventional gilts were

by the stronger tone of continental European markets. The lending rate was cut from 500 per cent on Monday. The benchmark 11-year government bond closed on a yield of boosted by the Bank's announcement of a one per-centage point cut in the base 11.30 per cent, from 11.50 per

rate to 9 per cent and by sterseen at the end of last week. ling's slight strengthening

■US Treasury prices fell sharply yesterday in the wake of unexpectedly good housing However, at the long end of starts figures and a reported increase in department and chain store sales. In late trad-ing, the benchmark 30-year government bond was down 121 at 971, to yield 7,462 per cent. The losses at the short end were less pronounced, with the two-year note down 🛦 at 100%.

yielding 3.927 per cent.

The news that sparked the early selling was the 10.4 per cent rise in August housing starts, the biggest monthly gain since January 1991. Although one month's worth of figures does not provide much of a lead on economic conditions, the market was nervous ernment bond maturing May because of calls from the International Monetary Fund meeting in Washington - for higher US interest rates once the recovery is under way and uncertainty ahead of the afternoon's first experimental "Dutch", or single-price, aucper cent in money market operations, but yields on lontion of \$14.5bn in new two-year notes. The auction went well, with the securities awarded at a yield of 4 per cent, the lowest since 1974. Although prices ticked up after the auction, they plunged again on the

fell during the day, encouraged news from the Johnson Redbook Service that department and chain store sales rose 0.8

per cent in the last three

30/12 5bp M.Lynch/J P Morgan 50/20bp UBS P&D Secs. 50/20bp UBS P&D Secs. 50/25bp CSFP 50/25bp CSFP 50/25bp USS P&D Secs. 1/4/4, Mernil Lynch Int. 90bp KEB Int.

Intervention helps reduce borrowing requirement

THE likely impact of UK government borrowing on prices in the gilt-edged market has changed sharply in the space of a fortnight.

The borrowing requirement for 1992/93 has been greatly reduced, due to the level of intervention in the currency markets in the days before sterling was hauled out of the European exchange rate mechanism.

Also, in the immediate future the Bank of England appears more likely to issue short-dated and index-linked stocks. So far this week, the bank has issued a total of £1.1bn in index-linked gilts responding to strong demand due to concern that inflation could rise.

Estimates of how much the bank spent on intervention vary widely.

Mr John Kendall, economist at Baring Sterling Bonds, estimates that more than £10bn spent on intervention will count towards this year's funding requirement.

The bank's official reserves figures for September will be released on October 2, which should provide a more accurate indication of how much was spent on defending the pound. Intervening to support the currency helps the government's funding on the one hand, while running down its foreign currency reserves

on the other. Mr Nigel Richardson, economist at Warburg Securities, calculates that about £5.5bn of borrowing remains to be done this financial year, assuming a public sector borrowing requirement (PSBR) of £33bn against the government's forecast of £28bn - and intervention amounting to

about £10br. The figure also takes into account the latest index-linked ssues. Some analysts say that the funding for 1992/93 has already been completed.

Even if the government has already hit its target, however. there is a strong possibility that the bank will continue to issue gilts in the current

financial year - if market conditions are conducive - to fund some of next year's PSBR in advance. This is likely to be as big, if not larger, than that for 1992/93.

Following sterling's exit from the ERM, the shape of the gilt yield curve has changed: yields on short-dated issues have fallen while those on long-dated stocks have risen with the result that the yield curve is no longer inverted. This has important implications for further gilt issuance, making it cheaper for the government to borrow at the short end of the yield

The sharp rise in yields on long-dated issues reflects concern about the prospects for inflation now that the UK no longer has the discipline of ERM membership to determine its economic policy.

The reduced funding requirement should help to ease some of this pressure on

Inflation worries have prompted renewed demand for index-linked gilts, as investors see them as an effective means of obtaining a real

On Monday, the bank sold 2500m of its new index-linked stock - the 4% per cent gilt due 1998 - within a few hours, and yesterday £600m of the 4% per cent index-linked gilt due 2004 was issued to take advantage of the rally in the

Dealers report a surge in turnover in the index-linked sector over the last

So far this year, the bank has issued £2.4bn of index-linked stock in small tranches, compared with £15.5bn in conventional gilts (where most of the issuance has been in medium-dated and long-dated issues).

The fact that the last two gilt issues have been index-linked suggests that the government is keen to demonstrate confidence in its shifty to keep inflation down: however, it also indicates that the bank is issuing in those areas where demand is seen to be

Spain lifts yield on Eurodollar issue by 10 basis points

Borrower US DOLLARS Kingdom of St

Hyosung (America)(h)‡

By Richard Waters

THE TURMOIL in bond markets of the past fortnight yesterday claimed its latest victim as the Kingdom of Spain was forced to increase the yield on its first Eurodollar

INTERNATIONAL **BONDS**

bond issue by a substantial 10 basis points.

The decision to lift the yield, to 55 basis points over US treasuries against the 42 to 45 basis points mooted when the bonds were first out on sale a week ago, marks the latest climb down among issuers recently. The Kingdom of Spain considered withdrawing its issue as the European Investment Bank and Spintab had been forced to do, but decided instead to proceed at a higher

The change in price level raised again the question of the value of underwriting in the Eurobond market. Banks which had underwritten the issue a week before at 45 basis points over treasuries were excused the need to stand behind a price which all agreed would have been a disaster in the secondary market.

A sharp rise in spreads in the secondary market on issues of supranational agencies such as the World Bank partly accounted for the need to change the terms. Traders said spreads on these issues had jumped by around 15 basis points, following a change in their tax treatment in Italy at the end of last week

The bonds ended the day at an unchanged spread of 55 basis points as the lead managers stood behind the issue, picking up paper from other syndicate banks

Meanwhile, yesterday saw a renewed wave of floating rate notes with minimum and maximum yield levels, as the Eurobond market came back to life after the past week of n upheaval. The activity included a well-received \$250m issue from Austria, later raised by \$150m, marking the first sovereign issue in this sector. The second tranche was

priced at 100% after the first

had been sold at par, with the

bond bid later in day at 1001/2.

D-MARKS Kamigumi Co.(a)4 Sanden Corp(i)‡** 100 100 Nomura Bk(Deutsch.) Bayer, Vereinsbank SWISS FRANCS Nippon Piston Ring(j)+>+ Yamato Setubl(k)+++ Miyaji Iron Works(i)+++ 3.375 3.375 3.375 - Credit Suisse 1½/1½ Nomura Bk(Switz.) - Swiss Volksbank **Private placement. #With equity warrants. #Floating rate note, #Final terms. a) Non-callable. b] Coupon pays 25bp below Minimum interest rate 5%, maximum 9½%. Non-callable. e) Coupon pays 12:50p below 6-month Libor and is payable semi-annually. Minimum interest rate 5%, maximum 9½%. Non-callable. e) Coupon pays 25bp below 8-month Libor and is payable semi-annually. Minimum interest rate 5%, maximum 8.25%. Non-callable. f) Payable semi-annually. g) Coupon pays 25bp below 6-month Libor and is payable semi-annually. Minimum interest rate 5%, maximum 8.25%. Non-callable. f) Coupon pays 105bp above 3-month Libor and is payable quarterly. Non-callable. f) Coupon pays 45bp above 6-month Libor and is payable semi-annually. Non-callable. g) Coupon pays 45bp above 6-month Libor and is payable semi-annually. Non-callable. g) Callable from 8/10/94 at 101% declining by ½% annually. k) Exercise price is to be refixed on 2/12/94, effective from 19/12/94 Callable from 8/10/94 at 102% declining by ½% semi-annually. l) Callable from 8/4/94 at 101½% declining by ½% semi-annually. yable semi-annually. Minimum interest rate 5%, maximum 8.25%. Non-callable. c) The increased to \$400m. d) Coupon pays 12.5bp below 6-month Libor and is payable set

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TRADITIONAL OPTIONS • First Dealings Sept. 14 Hanson Warrants, Hospital	Storebouse 140 17 26 27 4 81 10	(*74.) 25 A 56 A 6	FT-SE THREX (*2586) 2350 2400 2450 2500 2500 2400 2450 2780 CALLS 0ct 265 217 167 122 87 55 30 15							
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3-month call rate indications are also shown on this page. Calls in Acom Computer, BM, Sears and Trafslgar Hse.	1	(735) 330 33 39 43 14 23 27 360 17 25 29 28 36 42	Jun - 350 230							
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Free Trial - Tel: 44-081 9488316 Fax: 44-081-9488469	■ IMDUSTRIALS p Cadburys	35 Hanson 15 Rathers .								
Market Myths and Duff Forecasts for 1992	Allied-Lyons 47 Charter Cons Amstrad 4 Comm Union	44 KR	42 MEPC 22							
The recession is even stockmarkets are in a buil frend, the US deltar will continue to recover." You did NOT read that in FullerManey	Astec (BSR) 3½ Courtaulds 80 Eurotunnel	32 Lex Service 19 Ti	hm A 34 Aviva Pet 6							
- the iconoclastic investment letter. Call Jane Ferguharson for a sample issue (once only) Tol: London 73 - 438 4943 4973 in 1850 - Ferry 73 - 439 4944	80C	. 6 Lonhro 8 Tesco	1112 BP 22 17 Burmah Castrol 56							
Tel: London 71 - 439 4961 (071 in UK) or Fax: 71 - 439 4966	Barclays	17 Lucas Inds 11 Thorn EM 33 Marks Spencer 25 T & N	41 6 Conrey Pet 6							

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Next displays strong improvement to £8.3m

By Jane Fuller

NEXT, the fashion retailer, continued its recovery with a pre-tax profit of £8.3m in the first half, compared with just

The advance in the six months to July 31 came from slightly reduced turnover of £212.6m (£219.7m) as the group further reduced its peripheral activities. The figures were helped by £2m (£500,000) of

Next again beat most expectations - as it did with its 1991-92 pre-tax outcome of £123m - and the share price rose 3%p to close at 102%p. Next Retail turned an operating loss of £1.9m into a £4.1m profit. The result was struck on sales up from £125.1m to man, said the high street stores, excluding clearance, increased sales by 13.6 per

The total number of shops fell from 348 to 316 under the policy of closing loss-making outlets and rationalising neighbouring outlets. The clearance operation was cut back to only

Mr David Jones, chief executive, said that strong stock con-

Mucklow

A&J MUCKLOW Group, the

West Midlands-based property

investor and developer;

reported pre-tax profits slightly ahead at £10.9m for the year to

The company said that the

industrial and commercial

property market was weak and

housebuilding showed little

A revaluation of its indus-

trial and commercial property

left a reduction in the revalua

tion reserve of £5.47m which

has been incorporated into the accounts. A revaluation of other properties resulted in a

surplus of £10.4m which has

not been taken into the

Net Rental income

Profit before Tax

Earnings per share

June 30; against £10.8m.

improvement

1

static at

£10.9m

trol and "short, sharp" end-ofseason sales had greatly reduced the surplus. The group had traded for 23 of the 26 weeks without discounting.

Next Directory improved its operating profit to £2.7m (£1.4m), on flat sales of £42.8m (£42.7m), through better control of stock and other costs. Excluding Club 24, the credit operation that has been one of Next's problem areas, the

amount of cash held rose to £114m, compared with £106m at the year-end. The balance sheet was restored last year through the £167.5m disposal of Grattan, the mail order group. Repayment of Europonds next month will take £87m

Club 24. which at one stage had debt of more than £330m. contributed £22.6m (£38.9m) to sales but had no impact on profits. Mr Jones said the group was withdrawing from providing funds for the credit service offered to other stores. Instead it would manage the accounts for a commission.

By next year the switch should be complete, leaving core borrowings of about £20m. Club 24 could then be brought back on to the balance sheet. Meanwhile, about £10m of

NEWS DIGEST

Earnings per share were 7.66p (8.11p). A final dividend of 3.103p is proposed for a total

Norish moves ahead

Norish, the Co Monaghan-

based food services group,

reported pre-tax profits of I£1m

(£1m) for the slx months to

June 30 - a rise of some 11 per

cent on the comparable

Despite the recession, the UK

stores - which are now almost entirely consumer goods based

- achieved high occupancy

and good returns; the group

in the UK, directors said.

the distribution business

was actively seeking to expand

Turnover fell to I£4.87m against I£7m last time, which

included a contribution from

the now-sold trading assets of

Brixton

International Investors in commercial property

INTERIM REPORT 1992

1992

£24.95m

£12.57m

9% increase in net rental income.

■ 7% increase in profit before tax.

8.5% increase in earnings per share.

■ Interim Dividend 3.00p per share – up 3.5%

5.64p

Six months to 30th June

1991

£22.95m

£11.75m

5.20p

Estate

The interim dividend is held

of 5.925p (5.643p).

11% to I£1m

unused provisions would lead to an exceptional credit in this vear's accounts.

Earnings per share rose to 2.01p (nil). An interim dividend of 0.5p (nil) is declared.

• COMMENT

Next's customers - "young women aged 18 to 80" as Lord Wolfson puts it - have given the shops the benefit of the doubt after the dark era, responding nostalgically to the return of the old style. Hence its good performance in a highly competitive market. Even more impressive is the resilience of the men's wear side which accounts for 30 per cent of sales. Some price reductions and an embracing of the idea of popular appeal, rather than exclusivity, have helped keep the men happy, while the former plethora of women's lines has been rationalised. There is scope for further margin improvement as the manement sticks to its recovered knitting. Upgraded profit fore-casts of about £26m give a prospective p/e of more than 16, on a 10 per cent tax rate that should last another couple of years. While there is still some running in the recovery story.

most of it is in the share price

at 4.47p, payable from earnings of 7.95p (7p) per share.

Development costs

leave Comac lower

Pre-tax profits at Comac

Group, the Hertfordshire-based

computer consultancy, fell

from £186,500 to £44,000 in the

first half of 1992 despite a halving of the net interest costs to

The USM-quoted company

blamed the £50,000 costs of an

aborted acquisition, taken as an exceptional charge, and the

costs of strengthening the

overseas activities, from which

benefits did not show in the

Turnover was £4.91m

(£5.27m). Earnings per share were 0.44p (2.01p). Again there

is no interim dividend but

directors were confident of

being able to recommend a

Year

1991

£50.70m

£27.42m

12.64p

£22,000, against £56,000.

period.

Tesco customers trading down in recession

By John Thornhill

SIR IAN MacLaurin, chairman of Tesco, vigorously countered suggestions that the grocery chain's newest stores were trading below expectation.

But he accepted that its customers were conspicuously trading down as a result of the "We have opened 12 new

stores this year and they are among the best we have ever opened," Sir Ian said when presenting Tesco's interim results vesterday. There was, however, wide-

spread evidence of customers buying less expensive foods. "We have more customers in the younger age groups between 25 and 40 - who by and large have been affected worse by the recession than

the senior citizens," he said. Tesco intends to open 13 more stores in the second half. although its opening proissue in February 1991.

Sir Ian said this reflected problems of winning planning approval at individual sites rather than any change of policy. "There is absolutely no change in the strategic direction at all," he said.

Tesco ended the period with

401 stores and trading area of

11m sq ft. Next year it will add 900,000 sq ft of selling space. Capital expenditure for the full year is expected to be about £730m. During the half year the company spent £317m, of which £266m went on new

Mr David Reid, finance director, said: "Opening new stores in a recession is a lot harder than before and the returns across the industry are coming down a bit, but they can afford

store developments.

to come down? The company was also

gramme is developing at a affected by the sharp fall in slower rate than mapped out at the time of its £572m rights Over the past three half-year periods the grocery industry's like-for-like sales increases have fallen from 4.1 per cent to 3.1 per cent to 1.5 per cent. Price deflation for fruit and vegetables this summer was a

staggering" 18 per cent, Sir lan said. The fall in the value of sterling may halt the deflationary pressures as 25 per cent of Tes-co's goods are imported. However, the company does not expect a rapid change in the position and has already bought-forward currencies until Christmas. Tesco noticed a sharp

increase in the demand for multi-save items and introduced a number of "value lines" in many stores. How-ever, sales of some high-value lines such as sandwiches, fresh ready meals and champagne increased substantially.



Şir Ian MacLaurin: no change in strategic direction despite slower rate of openings than planned

Angloved Limited

Results and dividend announcement for the year ended 30 June 1992

Group earnings little changed, but dividend increased by 9 per cent

Venetia diamond mine, an important future contributor to Group earnings, opened

The Associated Manganese Mines of South Africa Limited becomes a subsidiary

Anglovaal **Industries Limited** acquires an effective 25 per cent interest in cement producer, Anglo-Alpha Limited

Group	1992	1991	%	Compound	Source of	19	992	15	991
consolidated	Rm	Rm	change	growth %	earnings	Rm	%	Rm	%
results				1987-1992	Gold mining	0,5	-	10,4	4
Turnover	8 206	7 736		22	Base metals and minerals	54,4	20	48,9	17
Eamings	278	285	_	16	Engineering and textiles	34,8	13	32,9	12
	210	200	(3)		Packaging and rubber	55,2	20	45,7	16
Dividends	61	56	9		Construction and electronics	4,0	1	13,2	5
Earnings and dividends				<u> </u>	Fishing and frozen foods Branded fast-moving	32,3	12	28,6	10
per share			'	•	consumer goods	36,7	13	30,0	10
Earnings (cents)	464	478	(3)	8	Finance, interest and other	59,8	21	75,4	26
Dividends (cents)	100	92	9	11		277,7	100	285,1	100

GROUP RESULTS

The Group's consolidated earnings for the year were slightly lower at R278 million, compared with the previous year's R285 million - equivalent to 464 cents (1991: 478 cents) per share - but the final dividend has been raised to 67 cents per share. This makes the year's total dividend payment 100 cents (92 cents) per share, which is covered 4,6 (5,2) times by earnings. The lower earnings stem from the continuation and, in fact, a worsening of the longest recession

experienced in South Africa in 50 years, combined with weak demand for certain of the Group's mining products by its major overseas customers whose own economies also performed poorly. Nevertheless, the Group's liquid resources remain strong with a debt/ equity ratio of 9 per cent and, with very few exceptions, the Group's individual businesses are fundamentally strong with excellent management teams in place.

The major contributors to earnings were Anglovaal Industries Limited and, to a lesser degree. The Associated Manganese Mines of South Africa Limited, the latter having become a subsidiary during the year. Both companies posted increased earnings despite the harsh economic conditions. However, their results were insufficient to offset lower net contributions from the Group's gold mining and other base metal and mineral investments, as well as by a reduction in interest earned on the Group's central cash resources, which arose from portion of the cash being invested in Group subsidiaries at lower returns, and generally softer interest rates.

Anglovaal Industries Limited (AVI) achieved an earnings improvement for the seventh consecutive year with a rise of 16 per cent to R271 million (R234 million), but the increase was limited to 10 per cent at the earnings per share level following the issue of additional ordinary shares during the second half of the year. The dividend was raised by 10 per cent to 165 cents (150 cents) per share, giving a slightly reduced cover of 5.2 times.

Net financing costs of AVI improved to R21 million received from R43 million paid in the previous year, mainly because of interest earned on short-term cash investments following the rights issues of AVI and its subsidiaries, Consol Limited and Irvin & Johnson Limited, and on the proceeds arising from the disposal of the group's Cadbury Schweppes (South Africa) Limited shares. Associated companies' earnings rose to R21 million (R9 million), mainly because of the acquisition of a 25 per cent interest in Anglo-Alpha Limited at a cost of R320 million. In addition to Anglo-Alpha Limited, AVI and its subsidiaries purchased further interests in Consol Limited, Contrad (Pty) Limited, Tristel Holdings (Pty) Limited, as well as the trademarks and certain assets of Buffalo Food Corporation (Pty) Limited, at a combined cost of

The improved net earnings of the engineering activities of AVI Diversified Holdings Limited were offset by a substantially-reduced contribution from

While Consol Limited's pre-tax profit was marginally higher, a reduced tax rate and minority interests' share of profit resulted in an earnings increase of 12 per cent. The exceptionally difficult trading conditions resulted in the lower-than-expected increase in Consol's earnings, but the company Is excellently placed to respond positively to an improvement in economic activity.

The Grinaker Holdings Limited group performance was unsatisfactory, partly as a result of the on-going recession. This group's subsidiary, Siltek Limited, produced good results but these were out-weighed by the poor performances of Granaker Electronics Limited and Grinaker Construction Limited

Irvin & Johnson Limited produced improved earnings. The company has planned a major capital expenditure programme over the next three years that will ensure it is well placed to meet increased demand following an up-turn in the economy - both locally and

National Brands Limited improved its earnings by 18 per cent, largely assisted by the interest income earned on the investment of the proceeds arising from the disposal of the Cadbury Schweppes investm tts Bakers division performed well, Becketts reported a rise in operating profit, Pakco's results showed a substantial improvement, but Pleasure Foods' results were affected by the performance of Pizza Hut and a decision has been taken to disinvest from the Pizza Hut operation. The recently-acquired business of Yardley suffered as a result of a substantial fall-off in turnover. As a group, National Brands should grow strongly, particularly in an improved business

The AVI group has planned for increased earnings in the current financial year, but the extent of this will depend on at least a mild improvement in business conditions and a return of business confidence.

ASSURANCE AND FINANCIAL SERVICES

The Group's activities in the financial sector are held. through subsidiary, AVF Group Limited. The Board of Executors Limited reported continued growth although at a slower rate than in the past. Life assurers Crusader Life Assurance Corporation Limited and AA Life Assurance Association Limited operated in increasingly unfavourable market conditions as personal disposable incomes declined. The Group's investment in AA Lite has to date been a disappointment but, based on a more professional and conservative management approach, it is anticipated that AA Life will in future produce a more acceptable performance, it may, however, take several years to achieve a market-related return for shareholders based on the historic cost of the AA Life shareholding. Consequently, a provision has been made against the carrying value of this investment.

The Group's four gold producers - Hartebeestfonteln Gold Mining Company Limited, Eastern Transvaal Consolidated Mines, Limited, Loraine Gold Mines, Limited and Village Main Reef Gold Mining Company (1934) Limited – experienced another year of unabated cost increases and a relatively static gold price. The result was that their combined earnings vere reduced to R119 million (R129 million) after deducting taxation and State's share of profits of R99 million (R133 million) and capital expenditures totalling R43 million (R40 million). The cost/price squeeze experienced by the industry has led to substantial job retrenchments and, unless there is a meaningful improvement in the rand gold price in the near term, further retrenchments – at both industry and Group levels – are likely to occur as marginal mines struggle to survive. The impact on payable ore reserves - and thus mines' lives - caused by the rise in pay limits, remains a further cause for concern. The Associated Manganese Mines of South Africa Limited achieved consolidated earnings of R104 million (R96 million) for the year ended 31 December 1991. Since then, prices for, and sales volumes of, all its products have declined, resulting in a 31 per cent decrease in the consolidated after-tax

profit for the six months to 30 June last, compared with the year-ago period. Recessionary conditions in world steel markets also had a negative impact on the results of Lavino (Pty) Limited and Rhino Andalusite Mines (Pty) Limited

De Beers has completed construction of the Venetia diamond mine at a cost of about R1,1 billion and production from the main plant is expected to reach design capacity by the end of 1992. Pending the recoupment of capital expenditure, Saturn Mining, Prospecting and Development Company (Pty) Limited - in which the Group has an 87,5 per cent interest - is receiving a minimum royalty of 12.5 per cent of the mine's profits before capital expenditure appropriations, which royalty amounted to R7 million (R29 000) for the year. After recoupment of the

capital, Saturn's and De Beers' after-tax share of Venetia profits will be equal. With an output of about 5,9 million carats annually, the mine would become the country's largest producer of diamonds.

EXPLORATION

Total exploration expenditure decreased to R61 million (R96 million), of which R8 million (R19 million) was spent on mineral rights acquisitions. The results of the Sun Prospecting and Mining Company (Pty) Limited's completed drilling programme have been published. While these revealed gold grades that could support economic exploitation of reefs, the variables of gold price, exchange rates and political developments were too uncertain to justify major capital expenditure on this valuable asset at present. However, the results of Target Exploration Company Limited's initial drilling programme, which have also been published, are sufficiently encouraging to warrant further work on the

FUTURE PROSPECTS

The Group has planned for capital expenditure of more than R1,4 billion over the next three years for expansion and asset replacement, most of which relates to the AVI group.

While results for the current year are difficult to project, earnings growth will be a major challenge in view of the long economic recession, lower mineral and metal prices, and continuing inflationary pressure.

FINAL DIVIDEND DECLARATION Notice is hereby given that final ordinary dividend

No. 93 of 67 cents (62 cents) per share, making a total for the year of 100 cents (92 cents) per share, and final N ordinary dividend No. 5 of 67 cents (62 cents) per share, making a total for the year of 100 cents (92 cents) per share, have been declared payable to holders of ordinary and N ordinary shares registered in the books of the Company at the close of business on Friday, 16 October 1992. Payments of the dividends are subject to conditions which are available for Inspection at the registered office or office of the London secretaries of the Company. The dividends have been declared in the currency of the Republic of South Africa and payments from London will be made in United Kingdom currency at the rate of exchange ruling on 26 October 1992. Warrants in payment of the dividends will be posted on or about 13 November 1992. The transfer books and registers of members in Johannesburg and London will be closed from 17 to 23 October 1992, both days inclusive.

For and on behalf of the board B E Hersov Chairman Clive S Menell Deputy Chairman

22 September 1992

Registered office Anglovaal House 56 Main Street 2001 Johannesburg

London secretaries Anglovaal Trustees Limited 33 Davies Street

Directors: B E Hersov DMS, Hon. LL.D (Chairman), Clive S Menell (Deputy Chairman), B L Bernstein Hon. LL.D. Dr O D Dhlomo, E H Fox, J J Geldenhuys, E G D Gordon, E J Mabuza, J C Robbertze, R T Swemmer, R A D Wilson

The annual financial statements will be posted to shareholders on or about 15 October 1992.

The Company's annual general meeting will be held at the registered office at 09:00 on Friday. 6 November 1992.

RESULTS FOR 1991/92 5.925p net (5.643p)

* Increased Dividend

A copy of the full interim Report, which has been sent to all sharsholders, may be obtained from: The Secretary, 22-24 Ely Place, London EC1N 6TQ.

* Pre-Tax Profit

£10.85m (£10.77m)

Brixton

Estate

* Property Portfolio valued at £204.565m

* Strong Balance Sheet



A& J MUCKLOW GROUP plc Largest owner of Industrial Trading Estates in the Midlands

The Annial Report and Accounts will be exculsived to shareholders on 14th October 1992

Core activities shore up Hays

By Andrew Boiger

HAYS, the business services group, saw pre-tax profits edge ahead by 1 per cent to £57.4m in a year which it said had seen no measurable sign of improvement in the British

Mr Ronnie Frost, executive chairman, gave yesterday's base rate reduction a cautious welcome: "It will obviously help, but recovery is not going to happen overnight - people will be cautious for some

The group said strong performances by its core distribution and commercial activities in the year to June 30 had offset a further fall in profits suffered by the personnel business. which specialises in recruiting accountancy staff.

The personnel division's operating profits fell from £11.6m to £4.8m and accounted for only 8 per cent of total

Elswick

By Walton Morals

rises 70%

to £1.72m

ELSWICK, which sold its

bicycle business last year to

focus on print and packaging,

reported a 70 per cent rise in

interim pre-tax profits to

£1.72m and restored dividend

payments.
The improvement reflected a

21 per cent increase in operat-

ing profit for the six months to

July 31 to £2.23m (£1.85m) and

a 39 per cent reduction in

interest payment to £511,000

Cycles, sold in December.

discontinued businesses).

and packaging activities.

There is an interim dividend

of 0.15p (0.22p). No final divi-

dend was paid last year. Earn-

ings per share were 0.63p

operating profit, compared with 20 per cent last year. The distribution businesses increased overall operating profits by 16 per cent to £33.5m. New business with large retailers helped increase contract distribution's profits by 64 per cent. However, the recession's effect on high street sales cut

home delivery operations. Hays Chemical Distribution increased operating profits by 9 per cent. Mr Frost said that reflected the impact of management changes and a new computer system, which had improved stock controls and enhanced margins

profits from the removal and

The commercial businesses. providing office support services, increased operating profits by 25 per cent to £20.8m. Hays said Britdoc and Data Express, its overnight mail services and parcel delivery companies, performed well against strong competition.

The group spent £52.3m on acquisitions, the biggest being its purchase in June of FRIL, a French food and drinks distributor. Mr Frost said: "We are actively looking for further acquisitions in continental Europe and the UK."

Hays generated £24.7m in cash and raised £34.6m from the placing of 19m shares at the time of the FRIL deal In spite of investing £28m in a dedicated distribution complex being developed for Waitrose at Milton Keynes, gearing fell from 22 to 21 per cent.

In April the group sold Traveldoc, a document delivery service aimed at the travel industry, because of continuing uncertainty about the European regulatory environment. The disposal accounted for most of an extraordinary item of £1.3m, the rest being associated with the sale of a statio-Earnings per share rose to

10.33p (10p). A final dividend of 3.1p makes a 4.6p (4p) total.

of its distribution, commer

The Hays business philosophy

cial and personnel businesse comprising a three-legged stool is looking a little lopsided after the toll which recession has taken of the recruitment market. However, the plunge in personnel operating profits from £19m to £4.8m in just two years also gives some measure of the scope for recovery. The performance of the commercial and distribution activities continues to impress in the flat domestic market and Mr Frost is confident that the French acquisition will enhance earnings. Forecast pre-tax profits of down 1/2 yesterday at 184p, on a prospective multiple of just over 15. At that level they look

Lloyd Thompson jumps 28%

By John Authers

LLOYD THOMPSON, the London market insurance broker, yesterday announced a 28 per cent increase to £14.4m in pre-tax profits for the year to June 30, a result heavily against the trend for the sec-

The final dividend is 3.95p increasing the total by 24 per cent from 4.5p to 5.6p, helping to stimulate a strong rise in the company's share price,

which closed up 15p at 222p. Harrington

Kilbride ahead Profits last time were depressed by losses of £465,000 from discontinued businesses. Harrington Kilbride, the magazine publisher floated in The main one was Falcon December last year, reported Sales of continuing busipre-tax profits ahead 47 per cent in the first half of 1992. It

nesses were up 5 per cent at £28.5 (£27.1m or £31.9m with is paying an initial interim dividend of 1.5p. Mr Bill Cross, chairman, The company has been said the results reflected the expanding, particularly its resilience of its core printing international base, including

three new ventures which began activities in the period. Turnover was £5.53m (£3.93m) for profits of £422,000 (£288,000) and earnings per share of 2.7p (2.3p).

Fully diluted earnings per share were 12.36p (9.95p). Turnover also increased, from £29.8m to £36.6m, although this figure was diminished by the weakness of the dollar, the currency in which per cent of the group's brokerage income is

However, the group used currency hedging to attain an average exchange rate of 1.75. and Mr Ken Carter, chief executive, said he was confident that the recent heavy foreign

exchange fluctuations would not impact on next year's

a sound long-term recovery

Mr Carter attributed the company's success, compared to a sector which has been battered by bad news in recent weeks, to cost control and high retention of clients.

He also pointed out that Lloyd Thompson is a wholesale and reinsurance brokerage without the heavy exposure other UK brokers have to the US retail

Wolstenholme Rink achieves 35% growth

holme Rink, the Lancashirebased metal powders maker and supplier of products for the printing industry, showed a 35 per cent improvement, from £1.24m to £1.68m, in the six months to end-June.

Mr Tony Rink, joint chairman, said the advance had been achieved despite a fall in turnover to £24.7m (£27.5m) and was mainly the result of a recovery in the part of the business which supplies inter-

PRE-TAX profits of Wolsten- national printing ink manufac turers. Profits had also been helped by the acquisition last year of PCO, which had per formed well, he added. However, no improvemen

had been seen in trading conditions in the UK. Sales in the printing supplies business had fallen and bad debts were still a significant problem. An improved interim divi-

dend of 6.5p (6.3p) is declared, payable from earnings of 14.4p (11.8p) per share.

WIC raises £50m via reduction of brewing portfolio

By Roland Rudd

THE WHITBREAD Investment Company, an investment trust 49.9 per cent owned by Whitbread, the brewer, yesterday raised about £50m through the placing of shares it controlled in several brewing and pub

It was forced to reduce the number of public houses under its control to comply with the government's beer orders which come into effect on duced after the 1989 Monopolies and Mergers Commission report on the industry.

Mr Robin Farrington, WIC's chairman, said that two thirds of the £50m raised was immediately reinvested in large international drinks compa-nies to spread its portfolio.

Under the terms of the beer orders companies have to reduce their stake in brewing and pub groups to below 15

per cent However, because Whitbread holds a 49.9 per cent stake in WIC which in turn holds a 29.9 per cent stake in Whitbread, holding of both companies in any one brewer and pub group

is set at 21.2 per cent. WIC sold 6.9 per cent of Boddington, the pubs, hotels and healthcare group, and 18.9 per cent of Marston, Thompson & Evershed, the Burton-

Whitbread, which distributes Marston's beers and has a long-term supply agreement with Boddington, took advantage of WIC's move to take its shareholding in both companies to 8.8 per cent. WIC is left with 12.3 per cent in the two companies bringing Whitbread and WIC's combined shareholding to 21.1 per cent.

WIC also sold 3.3 per cent of JA Devenish, the West Country-based pub operator, which was bought by Whitbread. WIC had to bring its Devenish shareholding down to 11 per cent because both WIC and Whitbread have a stake in Boddington which owns 19.5 per cent of Devenish.

Reduced exceptionals cut Southern Newspapers

By Paul Taylor

SOUTHERN Newspapers, the regional newspaper group which faced the threat of a bid battle between four potential suitors a year ago, reported annual pre-tax profits of £7.01m against £8.61m.

The pre-tax line for the year to June 27 was struck after a £168,000 (£5.89m) surplus on

The sharp reduction was partly offset by lower interest costs of £580,000 (£1.77m), reflecting strong cash flow which enabled it to eliminate A cost reduction programme

all bank debts and end the year with cash reserves of £5.3m.

ing a 5.5 per cent cut in staff numbers to 1,646 - helped operating profits climb to

The improved operating figure was struck despite turnover dipping from £71.4m to The fall mainly reflected a decline in advertising reve-

nues, partly offset by improvements in circulation, contract printing and other revenues. Earnings per share fell to 20.10p (26.75p). The final dividend is raised 8.25p, making a total of 11.25p (10.5p).

An extraordinary charge of £549,000 (£3.53m) was mainly incurred in preparing a subCommission This held a three-month

investigation into whether a takeover by Trinity International Holdings, Emap, Pearson (owner of the Financial Times) and Reed International would be against the public interest. The four groups were cleared

to bid but decided against when the shares rose to 330p. Yesterday Mr James Sexton chief executive, said that since July - when the four groups were free to look at Southern - there had been no contact. "We are not in discussions with anyone," he said. "It is

our intention to remain inde-

Greycoat to pass dividends

By Vanessa Houlder, **Property Correspondent**

SHARES IN Greycoat, the property investment company, yesterday fell by a third from 21p to 14p when the company passed its preference dividend and rescinded its recommendation to pay a final dividend. The group blamed its deci-

sion on a slowdown in the property market over the summer, which delayed completion Any payment of dividends

would have had to be financed

Reduced deficit at Hartons

Benefits from its recent the UK helped Hartons Group, the Sheffield-based distributor of plastic sheet and film. reduce losses in the six months to June 30.

After an exceptional gain of £442,000 (charge of £714,000) the pre-tax deficit was £938.000 (£2.09m). Turnover totalled £45.6m (£47.6m).

The directors stressed, that trading conditions in continental European markets were unlikely to improve for some time.

(3.3p). Both interim and preference dividends are passed.

by property sales, since the company's net rental income is interest costs. By passing the dividend the company saves £6.7m, including advance cor-

"Prudence dictated that if they are to have any chance of survival, they should not pay a dividend. They need every penny they have got," said an

The company, which has debts of £390m, said it is pursuing an aggressive programme of property dis-

posals to reduce gearing of 180 per cent to less than 100 per cent. So far this year, it has sold £70m worth of

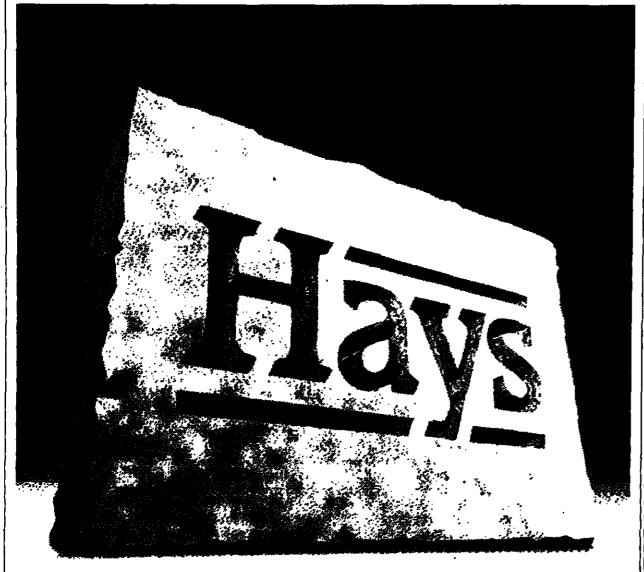
Mr Geoffrey Wilson, chair-man, said that although the property market had not completely dried up, purchasers had delayed making decisions

over the summer.
The final dividend of 2.9p per share, which was announced on July 23, was due to be put to the annual meeting tomorrow and be paid on

dinne

DIVIDENDS ANNOUNCED									
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year				
rcolectricint	0.555	Nov 2	0.53		1.11				
trake Brosint	1.85	Dec 31	1.65	-	5.75				
British Fittingsint	0.5	Nov 27	1,375	-	5.375				
Irbden Estateint		Oct 30	2.9	-	8.1				
antorsfin		Nov 12	3	4	4				
restaCareint		Nov 2	0.7	-	0.7				
Jswickint		Oct 30	0.22	-	0,22				
lar'ton Kilbrideint		Nov 9		-					
laysfin		Nov 30	2.7	4.6	. 4				
Joyd Thompsonfin		Nov 20	3.15*	5.6	4.5				
Aucklow (A&J)fin		Jan 4	3.078	5.925	5.643				
lextInt		Jan 4	nll		0,75				
lorish ,int		Oct 16	4,47	•	11.47				
outhern Newsfin		Nov 12	7.5	11.25	10:5				
armacint		Dec 11	3	-	5.5				
			_						

Dividends shown pence per share net except where otherwise stated



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PRELIMINARY FINANCIAL HIGHLIGHTS Year to 30th June 1992

	1091	1992	
PROFIF AFTER TAX	£37.5m	€39.4m	⊦5.1%
EARNINGS PER ORDINARY SHARE	1 0.00 p	10.33p	+3.3%
NET DIVIDEND PER ORDINARY SHARE	4.0p	4.6p	⊦15%



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I am pleased to announce profits up by over 50% to £28m. We have continued our drive into new

markets, especially overseas, and made further significant progress in structuring our business to meet our new commercial challenges.

	1990/91	1991/92
Turnover	£453 m	£442 m
Profit on ordinary activities	£18 m	£28 m
Profit as % of turnover	3.9%	6.4%

AEA Technology is a major supplier of technology-based services and products, with a world-class reputation in science and engineering.

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We have developed this technology for application across a much wider front, extending into the fields of industrial

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COMPANY NEWS: UK

Maggie Urry considers the opportunities in the nursing home sector as the government changes the rules

Costings are tight in an ageing market

market serviced by a fragmented industry would seem the ideal combination for companies within it to grow. The nursing home sector appears to offer just such an

opportunity.
There has to be a catch, though. Next April the entire system of government provi-sion of care for the elderly will change when the National Health Service and Care in the Community Act comes into force. The industry is apprehensive about the changes, if only because few of the details have been worked out yet.

The cost of long-term care for the elderly and chronically ill is estimated at more than £6.5bn a year. Yet the top ten companies have only 4 per cent of the market.

nds

INCED

fits

Operators of nursing homes, which mainly cater for elderly people needing nursing care and are distinct from residential homes, foresee more customers as people live longer.

Mr Ron Reld, finance director of Takare, the leading quoted company in the sector, said: "You cannot fundamentally change the demographics. There is a surplus of patients

which is set to rise." As well as rising demand, there is some reduction in supply. Mr Pat Carter, chief execuive of Westminster Health Care, a large nursing home operator which is planning a llotation, said that the NHS had been closing expensive status, the pressure to save money by closing more would

He added that a number of local authority-run homes, which had been exempt from registration under the old system, would now have to conform to standards which some would not meet.

More than a quarter of peo-ple aged 85 and over live in some form of institution. Within 10 years, demographers estimate, there will be an increase of 400,000 people over 85 needing another 100,000 places if the same percentage

At the same time the number of informal carers, often the daughters of the elderly, is falling as more go out to work. increasing demand further. The market currently offers

about 550,000 places, according

to Laing & Buisson, a consultancy firm which specialises in private healthcare. From April 1 next year patients who cannot afford to pay for themselves will be essed by local authority

social services departments rather than receiving income support from central govern-There is some fear that local authorities will try to care for more people at home, rather than putting them into a nurs-

ing home. However, the nurs-

ing home companies believe

the cost of caring for ill people

in their own homes is greater

There is also concern that local authorities will try to cut the rates which have applied. The Department of Social Security at present pays income support of £270 or £280 per week, depending on how ill the patient is, which goes to the home operator. Patient's also receive some pocket money.

The low cost companies, such as Takare, WHC and Quality Care Homes, can make a profit at these levels, and could survive at lower rates which would drive higher-cost homes out of business. They have concentrated on new homes where efficiencies can be built in rather than on converting rambling Victorian houses which are expensive to

Another concern of the oper ators is that patients, and their relatives, should still be given choice over which home they go to Mr Duncan Bannatyne managing director of QCH. believes this is a vital issue. QCH's homes run at an occupancy rate of 99.3 per cent, and have waiting lists.

High occupancy is essential if a home is to make a profit at the social security rates. If people can choose which home they go to they will pick the one they perceive as best.

There is the cushion that least as strong as before. existing patients will still be entitled to income support until they die. In homes catering for the elderly, this may give operators two years over which the changes will come



More than a quarter of people over 85 live in some form of institution such as this

The quoted nursing home groups expect to survive these changes and look ahead to the growth expected over the next few years. Mr Reid said: "We expect, whatever the outcome of the reforms, to emerge at

From an investors point of view the fast growth in the market is tempered by the demand of the companies within it for capital. Yet companies which have attempted to combine nursing homes

with other unrelated activities have generally diluted the growth or even failed to make headway in the sector and pulled out.

Takare has made a number of equity issues and raised money through debentures to fund its fast rate of expansion. However, since it came to the stock market in 1988 earnings per share have also risen sharply, from 2.85p to 10.1p in

As the companies grow it appear bright.

should become easier to fund expansion from cashflow.

Mr Carter of WHC believed that as the industry becomes more established the long term debt market would develop financial instruments tailored to nursing homes, reducing the need for equity issues.

Despite the uncertainty likely in the run up to next April's changes, the longerterm outlook for efficient nursing home operators would

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Preliminary Results

TURNOVER

PER SHARE

DIVIDEND

PROFIT BEFORE TAXATION

DILUTED EARNINGS

THOMPSON

36.549

14,374

12.36p

5.6p

+23%

+28%

+24%+

+24%*

The FT proposes to publish this survey on October 29 1992.

The survey will be seen by leading international businessmen in 160 countries

If you would like to promote organisation's your involvement to this important audience please contact; Patricia Surridge

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FT SURVEYS

British Fittings loses £1.02m

than in a nursing home.

By Paul Cheeseright,

BRITISH FITTINGS Group vesterday reported its second successive half-yearly loss but is paying a token interim divind as an indication that it had reached its nadir and would return to profit by the

The group, which distributes

the USM-quoted tour operator,

could be 47.07 per cent owned by Champion Holdings, a pri-vate Cyprus-based leisure com-

pany. by September 25 if Champion exercises options

ufactures and hires high pressure water products, and distributes non-ferrous metals, announced a pre-tax loss for the six months to June 30 of £1.02m compared with a profit of £1.71m in the 1991 first half.

The group's position deteriorated during the second six months last year, however, and it posted a pre-tax loss of £2.96m for the full year after

Cyprus group can lift stake in Airbreak

options to buy up to 13m

shares from Airbreak directors for £1 per block of shares. The Takeover Panel has said

The latest deficit, struck after exceptional charges of £622,000 (£374,000), came on turnover reduced to £40.4m (£42m). Fully diluted losses per share were 3.48p compared with earnings of 5.37p.

However, Mr Brian Stanton, chief executive, said "the company should run into profit in the second half." An interim dividend of 0.5p (1.375p) is

its current 12.85 per cent stake. break acquired for up to £8m in However, it can lift its stake January, goes through. Cham-AIRBREAK LEISURE Group, to 42.12 per cent if it exercises pion can then further raise its stake by acquiring - also for £1 - the 2.2m shares owned by Mr and Mrs CRC Gordon, who came to Airbreak with Sunsail, as part of their exit deal.

that, because the exercise price Champion is owned by Mr Takis Shacalis, who was a nonis de minimis no obligation to make a full takeover is trig-Last November, Champion gered.

started to build - via a share lift the proposed sale of Sunsubscription for a total £2m - sail International, which Airexecutive director of Airbreak between January 16 and Sep-

Call for board changes at Andrews Sykes

Shareholders in Andrews Sykes, the industrial services and environmental products group, will meet next month to consider a bid by a dissident minority shareholder to gain control of the board, writes Paul Taylor.

The company set October 16 as the date for an extraordinary meeting called at the request of Mr Jacques Murray, who holds a 26.63 per cent stake in the group.

Mr Murray has called for the

emoval of Mr David Hubbard,

chairman, and Mr David Crowe, a non-executive director, from Sykes' 5-man board and their replacement by himself and three of his associates. In a letter to shareholders yesterday, Mr Hubbard strongly recomme to vote against Mr Murray's resolutions, which he described as an "unmerited and unwelcome attempt to gain control of the company."

Cantors restructures and attacks rents

CANTORS, the Sheffield-based retail furnishing group, yester-day announced a capital restructuring along with a 17 per cent setback in annual

Mr Harold Cantor, chairman, said the decision to enfranchise the A non-voting ordinary shares reflected the reluctance of certain investors. including institutions, to invest in companies with such

capital structures. Holders of the ordinary shares, which currently reprent 7.3 per cent of the equity. will receive a compensatory 3-for-2 scrip issue resulting in the issue of 1.5m shares - 9.9

per cent of the enlarged capital. The company also proposes to cancel and repay the 5.25 per cent cumulative preference

shares at par.

results for the year to April 25 which showed pre-tax profits down to £2.1m (£2.53m) on turnover ahead some 11 per cent to £63.3m (£57m) -"creditable" performance in difficult economic conditions according to Mr Cantor.

Efforts to improve margins and control overheads had been offset by unavoidable increases in occupancy costs, particularly from "upward

only" rent reviews. 'If rents were able to reflect economic reality and not some Alice in Wonderland fantasy, they would reduce in reces sion, lowering overall costs, allowing price reductions and encouraging consumer spend-

ing." he said. The final dividend is maintained at 3p, holding the total at 4p, covered 2.5 times by earnings of 10.01p (12.72p) per



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NOTICE OF PROPOSED EXCHANGE OFFER

To the Holders of Bearer Securities of



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6 1/2% Convertible Subordinated Debentures due 2001 (Convertible into common stock of CalFed Inc.)

CalFed Inc., a United States Corporation, has recently filed a preliminary offering circular with the Office of Thrift Supervision, a U.S. regulatory agency, with respect to an exchange offer of new securities of its principal subsidiary for its outstanding 6 1/2% Convertible Subordinated Debentures due 2001.

Copies of the preliminary offering circular are available for review from the Company or the Exchange Agent listed below. In light of actions threatened by the Office of Thrift Supervision against Calfed Inc. that would be detrimental to the interests of Holders of the Bearer Securities, such Holders are strongly encouraged to obtain copies of the preliminary offering circular to understand the terms of the offer and the implications of tendering or not tendering into the offering.

The Company

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GLOBAL GOVERNMENT PLUS FUND LIMITED International Depositary Receipts issued by Morgan Guaranty Trust Company of New York

Global Covernment Plus Fund Limited announced today that a total of 569,856 common shares representing approximately 14,98% of its outstanding shares had idered pursuant to the offer dated August 7, 1992 and which expired on August 27th, 1992, made by the Company to purchase up to 25% of its entstanding common shares. Subject to the terms and conditions of the offer, the purchase price psyable for each common share tendered and accepted by the pany for payment will be the net asset value of the Company on Septemb 18, 1992, divided by the total number of issued and outstanding com Depositary: Margan Guaranty Trust Company of New York, Strussels Office



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Compagnie Générale des Etablissements Michelin

First half 1992

Consolidated net profit: FF 731 million

(Group share: FF 820 million)

The profit for first half 1992 was an improvement of more than two billion francs in comparison with the loss of FF 1, 323 million for the first half of last year.

The sharp turnround was initially due to reorganisation implemented under the recovery plan which was announced in October 1990. Additionally, with sales volume 3% higher than in first half 1991, increases in replacement market selling prices in Autumn 1991 and Spring 1992 had a positive effect. They enabled the MICHELIN Group to regain profitability that had been seriously undermined by the excessive price reductions which led to difficulties in previous years.

FINANCIAL RESULTS This very sharp increase is a good measure of the extent of the

Consolidated net sales turnover of the MICHELIN Group for the first half 1992 was FF 34.8 billion, 5.6% higher than in the same period last year. Eliminating the effects of foreign exchange fluctuations the increase was close to 8%.

Running costs were almost unchanged at FF 32.88 billion. This was mainly as a result of reorganisation measures already put into effect, namely reductions in employee numbers in the major countries in which the Group is

Costs associated with the reorganisation have been fully provisioned in the accounts over the past two years thus have no effect on the 1992 first half results. After taxation (FF 579 million), the share of net profit attributable

to the MICHELIN Group was FF 820 million. Funds generated from operations were FF 3 billion, double the amount for the first half 1991. The first half 1992 figure

represented 9% of sales turnover. Trading profit more than doubled between the two periods

under review. Expressed as a percentage of net sales it was almost 8% in the first half 1992 against 3.8% for first half 1991.

First half 1992 Consolidated results, main items

markets where growth has continued to be slow.

recovery achieved by the Group, within a context of tyre

Jan-June Jan-June FF millions

7

	1992	1991
Net Sales	34,804	32,970
Trading profit	2,728	1,257
Net financial charges	(1,378)	(1,547)
Ordinary profit (loss)	1,350	(290)
Extraordinary profit (loss)	133	(632)
Depreciation - goodwill and sundry	(1 94)	(129)
Tax on profit	(579)	(292)
Profit(loss)	731	(1,323)
Of which: Group	820	(1,060)
Minority interests	(89)	(263)

The actions underlying the turnround will continue and in certain cases be intensified, in the coming months. Second half 1992 results will clearly benefit from reductions in employee numbers already made and from increases in selling prices

that were effected in Spring 1992. It is more difficult to predict movements in interest and exchange rates and the general trend of economic activity. We expect,

however, only limited growth in world tyre markets during the coming months. The recovery plan we announced in October 1990 has been progressively implemented since that time. It now enables MICHELIN to adapt to the situation of limited market growth and to respond with the required flexibility.

TT moves up 10% to £7.5m

By Jane Fuller

TT GROUP, the industrial holding company, managed to increase interim pre-tax profits by 10 per cent in spite of its UK

Profit rose from £6.77m to £7.47m on turnover static at £78.6m. Operating profit advanced by 3 per cent to £8.8m (£8.54m), while interest costs were reduced to £1.33m

Although the group is noted for its acquisitiveness - and is having talks with loss-making AB Electronics - these figures were virtually unaffected by recent purchases. Magnetic Materials, finally

acquired this summer after a hostile bid fell short last year, is expected to have a neutral effect on the second half. Before that, the last signifi-

SHARES OF Brake Bros

yesterday rose 21p to 370p as

the supplier of frozen foods to

the catering trade announced

pre-tax profits up 2.5 per cent to £7.12m in the first half of

The advance was struck on

Mr Frank Brake, managing

turnover ahead 22 per cent,

director, said that the margin

slippage derived mainly from

recent acquisitions - Midfish,

WH Hooper, Everfresh and

London Larder - which con-tributed about £13m to the

turnover increase but little to

Mr Brake said that Everfresh

and London Larder, which had

taken the group into chilled

foods, had contributed about

£7m to turnover. So long as the

Control of overheads

Control of overheads helped

Arcolectric (Holdings), the electrical component maker to

lift pre-tax profits from £164,000

to £378,000 in the six months to

and the interim dividend is

Joint Announcement

RAND MINES LIMITED

to this transaction of approximately R900 million

RATIONALE FOR THE RESTRUCTURING

(a) 63 shares to RMP for every 100 shares held in RAND MINES:

(c) I chare in PLATCO for every share held in RAND MINES.

(b) 2 shares in GOLDCO for every share held in RAND MINES, with a sub-BARLOW RAND intends to maintain a 30% holding in GOLDCO; and

in the number, transparency, focus, flexibility and enhanced shareholder value will be

it is proposed that the distributions of shares will be made in accordance with the following ratios

raised to 0.555p (0.53p).

PROPOSALS

boosts Arcolectric

from £103.5m to £126.4m.

ate, a maker of electronic components, in 1990. Mr Nicholas Shipp, director, said further improvements had been achieved by continuing to weed out low margin business. Although there was no divisional breakdown, the indus-

trial division, which includes Crystalate and last year accounted for 62 per cent of sales, showed the best growth. A slight improvement was achieved by the packaging division. Beatson Clark increased efficiency with the help of new plant. Building services, a much smaller operation, suffered falls in both sales

Mr Shipp said that after a share placing that raised £6.88m, and expanded the equity by about 5 per cent, gearing fell below 20 per cent at the half-way stage. At the

more complex and regulated

handling can be overcome, he said, margins in chilled foods

should be higher than in fro-

Since the UK acquisitions,

Brake has spent a little over

£4m on two French frozen

foods companies in March and

August - its first venture

group's policy to understand

that market and expand the operation first, before moving

Acquisitions, Mr Brake said,

were financed by cash

resources and borrowings. The

latter rose from £2m to £6m

giving gearing of 15 per cent.

Net interest charges rose to

£563,000 (£259,000). During the half, the group

spent £4.2m on new cold stores

and distribution facilities in

DESPITE THE depressed

property market, Brixton Estate, the investment and

development company, turned

in pre-tax profits ahead 7 per

cent at £12.6m for the six

The bulk of the company's

BARLOW RAND LIMITED Registration No. 02/00095/06 ("BARLOW RAND")

(All Companies Incorporated in the Republic of South Africa)

Barlow Rand Mineral Resources Division:

Restructuring of the Rand Mines Group

Standard Morchaut Bank Limited and FirstCorp Merchant Bank Limited are authorised to announce the planned restructuring of the Rand Mines Group ("the Croup") into four independent business units composing coal, property, gold and exploration, and platinum. This will entail:

(a) The distribution by Rand Mines to its shareholders of its interests in:

a continuty ("GOLDCO"), with a net asset value in excess of R100 million, which will provide mining and related technical and professional services

and own the Group's gold mining interests, as well as its minoral rights (other than coal and platinum) which GOLDCO will continue to exploit; and another company ("PLATCO"), which will own the Group's platinum interests, primarily comprising an effective 45% interest in Barplats Investments Limited ("BARPLATS") and a portfolio of platinum shares, and having an underlying market value of about R90 million.

Application has been made for a listing on the Johannesourg Stock Exchange ("the USE") of the shares in Collect and FLATCO.

(b) The disposal by RAND MINES of its remaining coal interests, including mineral rights, management and other contracts, to RANDCOAL in return for an essue of 26,500,000 RANDCOAL shares, equivalent to R225 million based on the market price of RANDCOAL shares rightg on the JSE at the close of histories on 15 September 1993, the day preceding the publication of the cautocary amounteement regarding the proposed restructuring. The new RANDCOAL shares will not rank for the final dividend in respect of the year ending 30 September 1992. RANDCOAL has a market capitalisation prior

The nature growth patterns and markets of each of the four business and shave diverged considerably over time requiring different skills, attitudes and priorities for each. The restructuring brings those operations into line with the Earlow Rand Group's philosophy of clearly identifiable decentralised

The restructuring will be accompanied by a distribution by RAND MINES to its shareholders of its bolding in RMP, GOLDCO, and PLATCO. The consolidation in RANDCOAL of the Group's cool rights will secure that company's long term luting. The expensive mineral rights (other than cool and plaunium), which will be transferred to GOLDCO, represent a valuable resource

Rand Mines Proporties Limited ("RMP"), which owns and develops property for sale or leasing, and recovers gold from mine residue the RAND MINES' interest has a market capitalisation of approximately R60 million:

Application has been made for a listing on The Johannesburg Stock Exchange ("the JSE") of the shates in GOLDCO and PLATCO.

revenue comes from letting its

months to June 30.

Mr Brake said that it was the

across the Channel.

into other territories.

net debt of about £17m. The MMG acquisition had added £7m to debt, taking gearing into the high 20s.

The group currently holds stakes of about 7 per cent in both AB Electronics and ML Holdings, a manufacturer in aerospace and electronics. Talks with the latter were not

Earnings per share rose 6 per cent to 6.9p (6.5p). The interim dividend is 2.4p (2.2p).

• COMMENT

Brake Bros edges ahead to £7.12m

It is no mean achievement for an industrial company with nearly three quarters of its sales in the UK to keep profits and earnings per share moving ahead. Yesterday's Ip rise in the share price to 198p looks a bit churlish and does little to recover the ground lost since the late May peak of 239p. The

Somerset, which started

operations in July, and Hert-fordshire, opening in the

autumn. Some £1.4m went on

the motor fleet, £1.3m on the development of food processing

facilities, and £700,000 on a sat-

ellite depot in Bodmin, Corn-

wall. In all, capital expenditure

Operating profits increased

some 7 per cent to £7.68m

To partially redress the bal-ance between the interim and

final dividends, the former

is lifted 12 per cent to

1.85p (1.65p), payable from earnings of 10.3p (10.1p) per

Underlying sales growth of

about 10 per cent suggests that

Brake is picking up market share, possibly from some of

properties; rental income was

"The vacancy rate for the

company's property portfolio

remains at about 7 per cent,

and in the City of London,

which is probably the most dif-

ficult area, I am pleased to report that all of our buildings

Brixton Estate advances 7% to £13m

up 9 per cent at £24.9m.

totalled £9.1m.

• COMMENT

(£7.21m).

anticipation of more paper being issued for the next acqui-sition; in a quibble about the gearing position (eventually accounting standards might dictate that the £10m of preference shares are treated as debt); and in doubts about the quality of the product portfolio. The first and third ques-tions are partly answered by TT's track record in turning acquisitions round, which includes dealing ruthlessly

with poor-margin turnover. The accounting change is some way out and would affect many. Pre-tax profit is forecast to rise to £16.2m for the full year, compared with £14.6m. On a prospective p/e of 12.5, the shares look moderately priced. Although acquisitive mint-conglomerates are not to everyone's taste, there looks to be scope for an improved rat-

the smaller operators which are finding things hard in a tough market made yet

tougher by recent barrages of

new safety regulations post-

Currie. It has performed well

against the market. Its diversi-

fication appears prudent and

unhurried: in chilled foods, it

has taken a careful approach,

waiting for the expected higher

margins to come through; and

in France much the same

story. Forecasts for the full

year range from £16m to £16.3m, giving earnings of

between 23.3p and 23.8p and

multiples of 15.5 to 15.8. If the

market has moved away from

recovery plays and the earlier

fall in its share price was over-

played, then the shares are

looking cheap. However, as a

defensive stock and compared

with the grocery multiples,

are fully occupied," said Mr

Earnings per share were up

to 5.64p (5.2p) and the interim

dividend is increased to 3p

(2.9p). Mr Axton plans to retire

as chairman after next year's

annual meeting. He is suc-

ceeded by Mr Douglas Gardner.

RANDCOAL LIMITED

sequent distribution being made by BARLOW RAND to its own shareho

74%

PLATCO

Harry Axton, chairman.

Adjusting the numbers to meet new standards

Andrew Jack on the effect of the change in accounting rules

accounts of many lead-ing quoted British companies will change substantially as the proposals of the Accounting Standards Board (ASB) are put into place, according to a detailed analysis

released by James Capel. Reported earnings, cash flow multiples and unconsolidated subsidiaries are among the factors which will change most, Others likely to be affected under existing proposals will concern companies with intangible assets on their balance sheets and goodwill as a significant proportion of net asset

The firm already sees signs of change. It estimates that about half of the leading quoted companies have already adopted the first financial reporting standard, which deals with the cash flow statement and became mandatory for financial year ends after March 23 this year.

Capel is calculating a cash flow per share figure based on the net cash inflow from operations shown in the cash flow statement, adding returns on investment and the servicing of finance, excluding dividends to ordinary shareholders, and subtracting tax paid. That includes capitalised interest and explicitly excludes

GOODWILL WRITTEN

	Goodwill	Write of
	written off Sm	as % net
	OR TRU	asset val.
Blenheim	297	na
Reed Inti	682	n <u>a</u>
Carlton Comms	945	400
Етар	65	310
Williams Hdgs	779	300
GrandMel	2700	280
Oeita	76	245
Medeva	162	221
Thorn EMI	1450	193
Unllever	3081	191
Hays	213	190
Tate & Lyle	413	171
Fisons	652	157
Smith/Nephew	285	149
Tamkins	478	146
Morgan Cruc	328	142 .
iceland	171	141
Hepworth	258	140
Booker	216	118
Northern Foods	324	117
Fisher (Albert)	286	106
London Intl	74	106
Hanson	3438	103
Bowthorpe	94	103
20.11=141 PC		

HE FIGURES in the cash generated from asset disposals. The result is to cause a substantial change from the cash flow figures Capel has traditionally produced using the old source and application of

The old statement gives Brit-ish Petroleum a cash flow of £3.1bn and a cash flow per share of 58p in 1991, for example. The new figures are now \$2.6bn and 48p respectively.

The second financial reporting standard introduced by the ASB ratifles changes in the 1989 Companies Act which deals with subsidiaries. The standard generally tightens the requirement for groups to consolidate companies even if they own less than 50 per cent of the equity.

Capel says Rothmans, Boots and BOC have already dis-closed subsidiaries which were previously treated as associated companies. Based on the last set of accounts for Next. including its credit card subsidiary Club 24, would increase liabilities on the balance sheet from £447m to £801m.

Fred 1, the ASB exposure draft on the structure of the profit and loss account, will bring about a number of changes, notably generating far more year-by-year variation in reported earnings by effectively abolishing extraordinary

items.
It will also have the effect of reducing the scope for companies to take profits on disposals through the profit and loss account. Capel cites Taylor Woodrow, which has included in its disposal profits a transfer from the revaluation reserve, so that it is effectively writing the property back down to original cost before calculating disposal profit.

In the case of the company's 1991 results, releasing a revalu-ation reserve of £19.1m had the effect of reducing pre-tax losses from £21.8m to £2.7m. That will no longer be possible if Fred 1 becomes a standard as planned later this year.

Gazing into the crystal ball at future ASB standards under discussion. Capel identifies a number of issues which will cause substantial changes in financial reporting for many-

• Goodwill: It says its "best to adopt the common interna-

NEWS DIGEST

100

CrestaCare resumes dividend

BTR

2400

CRESTACARE, the nursing home operator which had a capital reconstruction approved in June, turned in pre-tax profits of £312,000 for the six months to June 30, against £970,000 last time.

The pre-tax figure was struck after increased finance costs of £1.66m (£101,000) and followed a full-year loss of £11.3m after £12.6m of exceptional provisions. Turnover was £17.8m

(£8.54m). The core nursing homes

business turned in operating profits ahead 40 per cent at £2.05m (£1.47m). The company has continued

its programme of disposing of its property portfolio at book value, disposals since May now total some £2.8m. It has agreed not to undertake any further sheltered developments and no longer regards this as part of its core business.

Earnings per share came out at 0.3p (1.3p) and, after the omission of last year's final, dividends are resumed with an interim of 0.1p (0.7p).

Seafield Resources rises to £190,000

Strong results from its interest in the Victor gas field helped Seafield Resources, the oil and gas exploration and production company, jump to a net profit of £190,000 for the six months to June 30 against a loss of £21,000 last time.

Turnover was up to 23.62m and earnings per share came out at 0.4p against losses of 0.3p. The company joined the USM in December last year.

Genting lifts stake in Lonrho to 7.26%

Lonrho, the international trading conglomerate, has announced that Genting, the Malaysian group mainly involved in gaming, plantations and manufacturing, has increased its stake from 5.83 per cent cent to 7.26 per cent.

Old definition New definition 1990 (p) (p) (p) (p) % change (p) 40.9 -49 37.7 BICC 17.7 23.1 34.7 24.7 27.7 14.6 n/a 25.4 20 24,7 27.7 14.6 15.4 13.9 1 25 20.6 21.4 26.0 15.2 10.3 26 27.8 58.8 70.9 58.4 47.0 47 23 28.0 31.0 27.7 18.2 22.2 28 22.1 4.2 15.8 26.6 1.7 12 15.8 22.1 15.7 12 28.8 0.2 7.0 17.3 0.2 7.0 21 23.8 0.2 7.0 17.3 0.2 7.0 21 23.8 0.2 7.0 17.3 0.2 7.0 21 24.3 11.6 4.5 1.9 10.1 4.2 20.4 4.9 50.0 51.7 33.4 39.3 44.3 11.6 4.5 1.9 10.1 4.2 20.4 4.9 50.0 51.7 33.4 39.3 44.3 17 30.5 21.0 31.9 20.6 16.7 31.9 17 141.0 182.0 145.0 145.0 145. Johnson Matthey Oxford Instrument Coats Viyella Enterprise Oil Williams Holdings Wimpey Lucas Industries Ladbroke Group Burton Group English China Clays Asda Group Courtaulds Baird (Wm) -16 47.9 43.2 19.3 51.1 27.0 14.1 -16 25.4 21.1 18.4 24.6 11.4 18.4 -15 22.2 26.4 24.9 19.3 22.6 20.5

CHANGES IN CASHFLOW PER SHARE

SIGNIFICANT INTANGIBLES ON THE BALANCE SHEET							
	Vakue of intemplotes Em	intengibles as % of net asset val.	Description				
	1670	122	Rights and titles				
ckitt/Colman	587	314	Brands (directors' valuation)				
18p	116	84	Rights, titles & exhibitions				
andMet	2400	71	Acquired brands				
Mi	808	58	Acquired, created brands				
inness	1400	51	Acquired brands				
ininess	300	45	Development costs				
dbury Sch	308	34	Acquired (goodwill in) brands				
dbroke	831	27	Brands (Hilton Hotels/ Vernons)				
om EMI	273	27	Music rights				
1 Biscuits	147	20	Brands (director's valuation)				
nrho	117	10	Publishing rights, development costs				

tional practice of capitalising goodwill as an intangible asset and amortising it over its useful life, but possibly without systematic write-offs.

Since goodwill was required to be disclosed in the mid-1980s, it shows that it has grown to represent up to 400 per cent of the net asset value Carlton Communications, 310 per cent for Emap, 300 per cent for Williams and 280 per cent for GrandMet.

It stresses that it is very unlikely the ASB would make its rulings retrospective, but illustrates the impact of change. If goodwill was amortised over 20 years as a proportion of earnings per share, it would be as high as 159 per cent for Burton, 95 per cent for

Carlton • Intangibles: the ASB is considering whether intangible assets such as brands should

Cookson and 81 per cent for

be included on balance sheets, and if so, how they should be valued. This still only significantly affects 12 companies, with Reed International the most important: intangibles of £1.67bn represent 122 per cent of the net asset value of the

• Pensions and other post-retirement benefits: which are being reviewed by both the ASB and its urgent issues task force. Companies with signifi-cant possible liabilities include Shell at £350m-£520m, BP at £170m-£250m and Unilever at £140m-£190m.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUE OF £600,000,000

43/8 per cent INDEX-LINKED TRÊASURY STOCK, 2004

SCHEDULE OF PAYMENTS:

On issue On 16th November 1992 On 21st December 1992

£15.00 per cent £35.00 per cent £50.00 per cent

£600,000,000 of the above Stock has been issued to the Bank of England on 22nd September 1992 at a price of £100.00 per cent.

The Stock will be repaid on 21st October 2004.

Interest will be payable half-yearly on 21st April and 21st October. The first interest payment will be made on 21st April 1993 at the rate of £1.8017 per £100 of the Stock.

Application has been made to the Council of The International Stock Exchange for the Stock to be admitted to the Official List; dealings in the Stock are expected to commence on Wednesday, 23rd September 1992.

Copies of the notice in lieu of prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

BANK OF ENGLAND LONDON

22nd September 1992

GERBER £10,000,000

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MERÎDIEN

When you stay with us in Porto, stay in touch with your complimentary copy of the Financial Times.

FINANCIALTIMES

RIMPING AND AND AND WILLIAM PLATCO will be, udequately (manced to meet their obligations, prior to distribution of their shares. PLATCO will assume the rights and obligations of RAND MINES in respect of the restrictiving of the BARPLATS group which was undertaken during 1991, including the obligation of co-underwriting the rights issue by BARPLATS BARLOW RAND will sub-underwrite this PLATCO obligation. The timing of such rights using the platinum market. RAND MINES will ruise medium term funding of approximately R110 million in order to fund GOLDCO and PLATCO. FINANCIAL EFFECTS The sales of the relevant interests to GOLDCO and RANDCOAL will be effective from 1 October 1992. Transfer of the majority of the platinum assets to PLATCO will be offected on or before 30 September 1992, while the remainder will be transferred before 28 February 1993. The distribution of shares will take place as soon as is practical after approval by the shareholders of RAND MINES in general meeting. Analytical results for the imprefal year ending 30 September 1992 are expected to become available during the second week of November 1992. A further taining the financial effects of the proposed restructuring will be made at that time BARLOW RAND MINERAL RESOURCES DIVISION Following the restructuring of the Rand Mines Group, and other taking into account the transfer of the coal interests to RANDCOAL, the structure of the BARLOW RAND Mineral Resources Division, which includes Pretona Portland Cement Company Limited ("PPC"), will be as follows. BARLOW RAND 60°. PPC COLDCO RAND MINES RAND COAL iers and notices of general mostings of RAND MINES and RANDCOAL are being prepared and will be posted to shareholders in

REGISTERED OFFICES: Barlow Park, Ratherino Street, Sandton (P.O. Box 782548, Sandton, 2146)

MERCHANT BANKS:

(Registered Bank), (Registration No. 64-08586-06)

FirstCorp Merchant Bank Limited (Registration No. 58/02411/06) Boseman Gifdlan Hayman Godrey Inc RAND MINES AND RANDCOAL 15th Floor, The Corner House, 63 Fox Street, Johannesburg, 2001 (P.O. Box 62370, Marshalltown, 2107)

SPONSORING BROKERS: Fergusson Bros Hall Stewart & Co Inc fembor of The Johannesburg Stock Exchange and the South African Futures Exchange Davis Botkum Hare & Co Inc. (Registration No. 72/09126/21)

UNITED KINGDOM SECRETARIES OF RAND MINES: Viaduct Corporate Services Limited 40 Holborn Viaduct, London EC1P 1AJ

Two strings.

One gim.

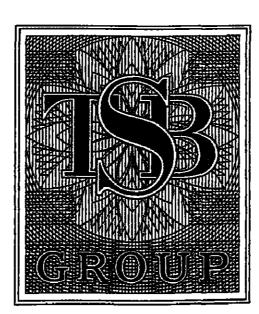
TSB Group bave led

the way in offering both banking

and insurance services to its

customers. In both activities we

bave just one objective.



To meet the needs of our customers with a consistently bigh level of service. A policy that sees TSB and Hill Samuel well armed for the future.

French farm deal | Kanowna clears hurdle

By David Gardner in Brussels

The modest relief package for small French farmers the European Commission unveiled 36 hours before Sunday's referendum in France on the Maastricht treaty cleared a large hurdle yesterday, as EC farm ministers passed it on to the special agriculture committee

Hard-pressed small dairy farmers in central France, who also keep "suckler" cows for beef production, should as a result get additional premium payments worth about sterling

The move follows a Commission piedge to review anomalies unresolved when the reform of the Common Agricultural Policy was agreed in May. But it followed a pre-referendum plea to the Commission from French agriculture minister Louis Mermaz to

soften the impact on France of six measures in the reform, and was timed to soften farmers' hostility to the treaty.

The Commission is looking at one further concession to France's demands, for producers of durum wheat, which is used for making pasta. CAP reform abolished the 25 per cent premium over ordinary wheat payed to these farmers. except in designated "sensitive areas". Two further areas in to be added to this list.

The Commission view shared so far by the farm ministers, is that these measures do not cut across the reform. and should not slow down its implementation. After yesterday's meeting. Mr John Gum mer, agriculture minister of the UK which currently holds the EC presidency, underlined that "there is no going back on

Australia's commodity exports to rise by 8%

THE VALUE of Australia's commodity exports is forecast to rise to A\$47.3bn (US\$34bn) in 1992-93, 8 per cent higher than the previous year.

The official forecasting

agency, the Australian Bureau of Agricultural and Resource Economics, based the forecast on the lower value of the Australian dollar, which it put at an average 72 US cents in

Top exports in 1992-93 are forecast to be coal (A\$7.1bn). gold (A\$4.2bn), wool (A\$3.6bn) and iron ore (A\$2.9bn). Mr Paul O'Mara, Abare's manager for economic policy analysis, said prices of Australian wool and beef would rise during the year. Wheat, coarse grains and sugar prices would fall because

By Emilia Tagaza in Canberra of forecast higher world grain and sugar production.

Mr O'Mara said the net value of farm production during the year was expected to be A\$1.5bn, up 3 per cent from the previous year but still well below the average of around A\$4bn in the late 1980s. Australia's gold output will stay high at over 238 tonnes in

calendar 1992 and decline only slightly to 234 tonnes in 1993, according to Abare. "These relatively high pro

duction levels reflect the effectiveness of the Australian industry in addressing the joint problems of cost pressures and low spot prices," Abare said.

The bureau expects world gold prices to average US\$350 a troy ounce in 1992, a decline of 3.3 per cent from 1991.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,680-1,745 BISMUTH: European free

market, min. 99.99 per cent. \$ per lb, tonne lots in warehouse, CADMIUM: European free

market, min. 99.5 per cent per lb, in warehouse, 0.65-0.75 COBALT: European free

market, 99.5 per cent, \$ per lb, in warehouse, 18.00-18.70 (19.00per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 2.25-2.30 (2.30-2.35). SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.50

TUNGSTEN ORE: European free market, standard mi per cent, \$ per tonne unit (10 kg) WO₃, cif, 50-59 (53-62). VANADIUM: European free market, min. 98 per cent. \$ a lb V₂O₅, clf., 1.95-2.10 (same).

URANIUM: Nuexco exchange MERCURY: European free value, \$ per lb, U₃O₈, 8.05 market, min. 99.99 per cent, \$

Belle mine to proceed

By Bruce Jacques in Sydney

NORTH Broken Hill and Delta Gold, the Australian mining companies, are to proceed with the development of the Kanowna Belle gold mine in Western Australia at a cost of A\$78m (\$57m).

The companies said yester-day the joint venture expected to begin production at the beginning of 1993, with initial output of 150,000 oz of gold, rising to 170,000 oz in the sec-

This would make the mine one of the largest in Australia and enhances the Kanowna Belle area's reputation as the most significant new gold province in the country.

Poland copper strike averted

By Christopher Bobinski

UNIONS at KGHM, Poland's copper mining and smelting combine have lifted their threat of a 24-hour stoppage today after parliament approved an easing of wage controls for state-owned exporters at the weekend. The unions are to learn

today what their new wages will be after being promised increases at the close of a five week strike last month. KGHM's copper output in

the first eight months of this year reached 255,000 tonnes, 1.3 per cent more than in the same period last year.

Palm oil refiner in receivership

By Kieran Cooke in Kuala Lumpur

NALIN Industries, one of the biggest refiners of crude palm oil in Malaysia, has been placed in receivership. Nalin, whose majority shareholder is the Indian Birla merchant family, has been hit by tighter operating margins as Malaysia's crude palm oil refining capacity has rapidly expanded

Malaysia's refineries now have a processing capacity of more than 10m tonnes a year, though supply is only 6m tonnes. Nalin's total debt is

estimated at	: M\$100m	(\$40m).
LINE WAREHON (As at Monday's tonnes		S
Aluminium	+ 8,850	to 1,369,350
Copper	+ 1,775	to 286,850
Lead	+ 475	to 180,375

COCOA - London FOX

Close Previous High/Low

Russia's war on oil industry corruption

Leyla Boulton in Moscow reports on attempts to stem the losses resulting from abuses state or his enterprise, he will

ussian authorities have declared war on cordeclared was on ruption in the oil industry, the country's key earner of hard currency - but their struggle is made both easier and more difficult by parallel attempts to introduce market economy.

Abuses, some new, some longstanding, range from fid-dies by refinery and railway officials to state-owned producers' use of foreign partners to get money out of the country instead of handing it over to the government.

Capital flight is estimated at more than \$2bn a year, while bribes paid to lower level Russian officials for facilitating irregular exports of oil and oil products exceeded \$100m in the first half of this year.

Mr Mikhail Gurtovoi, head of the government's anti-corruption commission, says 506,000 tonnes (3.5m barrels) "disappeared" in the second quarter

of this year. The losses are seen as particularly alarming against a back-ground of plunging output (down to 398m tonnes this year from 460m last year) and declining export revenues, a result of years of half-baked economic reforms and neglect by recent governments.

More importantly, the present government needs to protect itself from accusations that market reforms begun in January have unleashed chaos and must be slowed down. "The danger is that instead

of moving forward and trying to pick up speed for change, you say let's wait and try to impose order on a non-functioning system," explains one official. "It takes hundreds of steps to create a new system You can't do it overnight."

The corruption is not new: it was no accident that one of the new government's first steps last winter was to re-register all export licences - corruption was so rife civil servants had issued licences for exports worth double the country's annual output

But the replacement of Mr Vladimir Lopukhin, the radical oil minister, by a more old-

RUSSIAN oil prices could be fully floated by the end of 1993, according to Mr Viktor Chernomyrdin (right), deputy prime minister responsible for energy policy, Reuter reports from Moscow.

Asked when oil prices would be freed to world levels, he told the Komsomolskaya Pravda newspaper: "This won't happen in the nearest future. Perhaps by the end of 1993 . . . and it will be a gradual raising of prices in stages under the control of the state." President Boris Yeltsin last week more than

doubled the price of crude oil to 4,000 roubles (\$20) a tonne in a bid to revitalise the country's crisis-ridden energy sector.

Debts between enterprises have soared since January as prices have been raised. The fuel and energy complex was owed 525hn roubles while it owes others 386hn roubles, Mr Chernomyrdin said. More than 20,000 perfectly good

style manager, and delays in freeing the oil price show the temptation to hesitate in the no man's land between the administrative-command system and a market economy which does not yet exist.

harrels of oil a year.

"There is no market environ-ment although there are market aspirations. The vacuum is filled by malpractices, corruption, and disillusionment," says Prof Yevgeny Khartukov, head of the Moscow-based World Energy Analysis & Forecasting Group." He says that this is compounded by sheer ignorance among managers of how to behave any differently.

Mr Viktor Chernomyrdin, the new deputy prime minister responsible for energy policy, who professes puzzlement about what is meant by corruption", says that "in the past everything was so centralised that producers did not get involved in this". But in reality, the corruption has become

entralised. Where a once monopolistic Soviet oil ministry used to get kickbacks for awarding contracts to one firm or another. now individual directors and local officials, who have the right to sell a fixed percentage of oil output, are playing by their own rules.

*Before the corruption was more systemic because of the degree of fear and supervision which used to control individu-

wells were idle, resulting in a loss of 280m als. Now that the lid has been taken off, people are behaving in different ways," says Mr Jules Kroll, the head of a west-

> helped track down money stolen by Third World dictators. The struggle against corrup tion has so far yielded slim results. There have been a few arrests at oil refineries, and investigations of oil producers who sell oil cheaply to commercial businesses for kickbacks deposited in foreign bank accounts. Russian commercial companies also pay bribes to regional authorities and oil companies to sell their export quotas for them.

ern consultancy which has

In its work for the Russian authorities, Kroll Associates has found "dozens and dozens of foreign bank accounts . . . where the recipients or their relatives are being rewarded for the alloca-

tion of raw materials at favourable prices or arrangements". These include accounts in Cyprus, Germany, Greece, Switzerland, Monaco, France, Britain and the US. The amounts vary from \$50,000 to others "where we see activity in excess of \$1m at any point in time . . . these amounts are not static".

Although Mr Kroll declines to name specific firms or banks which hosted the funds, Mr Gurtovoi says that even a top institution like Deutsche Bank

has found itself the unwitting home to ill-gotten gains. He also says that a lot of money was stashed away in bank accounts in Houston, a city familiar to many Russian oil-

he joint ventures set up as the main form of foreign investment since President Mikhail Gorbachev came to power are also being systematically investigated and their right to export oil freely has been suspended: they now have to use stateowned intermediaries. Although none have been pros-ecuted - partly because the government is anxious not to frighten off potentially bigger foreign investment for the future - authorities have evidence that some are guilty of dishonest practices.

One example of abuse in collusion with the joint venture's Russian partner is deliberately underestimating an oil well's output so that a joint venture can take out more oil as a reward for increasing output. But until Russia can develop an adequate legal framework

and some political stability, it will find it difficult to avoid foreign firms cutting corners as a reward for their risk in coming in the first place. And until the oil manager has the right incentives not to

divert resources away from the

go on doing so. As one official explains, a Russian oil manager "earns as much as the stipend of a student in the West while his western counterparts make millions of dollars" "He thinks of what he will

leave his children. His enterprise may produce more oil than say Mobil or use equip-ment as sophisticated as theirs. But nobody has ever heard of his enterprise outside the Soviet Union and he won't get bank loans unless he attracts a foreign partner."

The collapse of the Soviet Union in December has also played a big role in the present crime wave. While the old system limped on in a system of closed borders, it has turned out to be a catastrophe in present conditions.

This is because once oil is smuggled across what Mr Chernomyrdin called Russia's permeable borders" to outlying republics like Ukraine and the Baltics, there are no KGB border guards to stop it going

further afield. Mr Ivan Sardak, deputy chief of the Interior Ministry's economic crimes department, wants Russian criminal legislation banning the unlicensed export of oil outside Russia.

The only way he can prose-cute cases of unlicensed exports at present is to prove that bribes were paid to ease the transaction - "but this is very difficult because you need to have documents showing that bribes were paid."

While a simple solution would be to seal off Russia's borders and charge world prices to other republics, this has proven politically and eco-nomically difficult because of the highly integrated nature of the former Soviet economy. Another problem remains a

lack of co-ordination among various Russian authorities and their foreign colleagues in fighting the corruption.
In the end, however, any

struggle of this kind in a country where most people are on some kind of fiddle will fail unless it is accompanied by root and branch reform.

Gloomy outlook for world sugar

By David Blackwell

A GLOOMY outlook for world sugar prices emerged yesterday from two London commen-

trade house, expects world sugar production in 1992-93 to hit record levels for the second consecutive year. Its first estimate for next season puts production at 116.95m tonnes, up 1.2m tonnes on 1991-92. Allowing for optimistic consumption

figures, Man predicts a surplus of 3.44m tonnes next season, compared with a revised estimate of 4.77m tonnes this sea-

However, Man points out availability of raw sugar for export in spite of the large overall surplus. Next season, it expects the international trade surplus to be more evenly balanced between raw and white sugar. "With a potential trade surplus of some 2.7m tonnes,

High/Low

WORLD COMMODITIES PRICES

Previous

LONDON METAL EXCHANGE

Close

lower prices are expected."

ker, yesterday suggested that nearby New York raw sugar prices could fall as low as 6 cents a lb. It cited bearish news of higher Thai exports; of large amounts of Argentinian sugar on offer which could provoke Brazil to defend its market share: and rumours of a price war between India and China. In late trading yesterday the New York March contract was 8.69 cents a lb.

(Prices supplied by Amalgamated Metal Trading)

AM Official Kerb close Open interest

Jet fuel futures approved

By Barbara Harrison

Applications to trade futures contracts on jet fuel and world cotton were approved yesterday by the Commodity Futures Trading Commission, the US futures industry regulator.

The jet fuel contract will be traded at the New York Commodity Exchange (COMEX), which plans to launch the product in early 1993. The contract will be for physical delivery of 1,000 barrels of fungible

aviation kerosene. Colonial Grade 51 to the US Gulf coast. Until now, only the New York Mercantile Exchange had offered US energy futures. Nymex is the biggest marketplace for such products. Comex boasts the world's largest market in gold and silver futures.

The world cotton contract will begin trading October 1 at the New York Cotton Exchange. The exchange's existing contract covers just American cotton.

MARKET REPORT

GOLD railied late on the London bullion market as rumours swept the currency markets of a possible ERM suspension or realignment. Dealers said Australian producer selling had emerged around \$350 a troy ounce as the weakness of the local currency was making sales an attractive proposition. A clutch of LME warehouse stock increases helped to send base metal prices lower from the outset. Three-month COPPER was unable to regain the \$2,420 a tonne support level, and by the close a test of \$2,400 was on the cards, London COCOA closed down from from an earlier one-month high, which

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)((Deti	4 or
Dubai	\$18 50-8.802	1 225
Bront Bland Idalog)	\$20 30-0 35	+ 200
Brant Bland (Nav)	SCO 40-0 50	+ 175
NITI[Ipm est]	\$21 85-1 902	+ 150
Oli products (NWE prompt delivery per l	tonne CIF	+ 07
Promium Gasolino	\$219-219	
Gas Oil	\$190-191	+15
Hoavy Fuel Oil	\$90-92	+ 1.U
Naphiha	\$189-190	
Naproloum Argus Estimatos		
Other		+ or
Cold uper troy ozh	\$349 85	+26
Silver (per troy of he	377,5c	40
Plotinum iper troy ozt	\$364.0	41.5
Palladium (per troy oa)	\$91.15	+04
Copper (US Producer)		
Copper (US Producer)	112 5c 40 1c	
Tin ikualu Lumput markeli		
im (New York)	306.00c	-0.12 -1.50
Zinc (US Prime Western)	62 Oc	-1-20
Cattle (live weight)	107 43p	-0.71*
Sheap (live weight)†	69.91p	-0.28*
Pigs (live waight)1	80 l6p	0.83
London daily Sugar (raw)	\$227.5w	-8.5
Landon daily Sugar (white)		-0.2
Tate and Lyle export price	C240.5	-5.0
Barloy (English food)	Unq	
Maire (US No 3 yellow)	£137 Ø	
Wheat (US Dark Northern)	Ung	
Rubber (Oci)♥	55.00p	-0.5
Rubber (Nov)	55 00 p	-05
Rubber (KL ASS No 1 Jul)	2195m *	
Coconut oil (Philippings)§	\$500 Oy	-25
Palm Oil (Malays-ant)	\$390.0y	+25
Copra (Philippinos)§	\$320.0	
Sovabuens (US)	£149.0w	
Cotton "A index	56.70	0.30
Nookops (64s Super)	408a	

had been promoted by chart-based buying. Dealers said there was definite - although not significant - origin selling on forward positions. Analysts Landell Mills Commodities estimated a 188,000 tonne deficit for 1992-93, sharply above last week's Gill & Duffus forecast of 25.000 tonnes, Robusta COFFEE closed down but above support levels after profit taking following a technically driven five-month high of \$826 a tonne for the November contract, "It looks as though its gone far enough at the moment unless we get some constructive news from the ICO," one dealer said.

-	mpued	from Re	auters
SUGA	t - Lond	on FQX	(\$ per to
Rew	Close	Provious	High/Low
Oct	194 80	196 00	195.60 195.00
Dec	191.00	194 20	193.20
Mar	194 00	194 00	193.00
May	195.00	196 00	195 00
White	Clase	Previous	High/Low
Coc	255 00	254.50	255.50 253 60
Mar	255.50	255.50	258 50 254.50 258.00 256.00
May	257 00 262.00	257 00 260.40	261.40 260.00
Oct	25: 50	249.90	250 90 250.60
Turneye	or Raw 55	5 (1117) 5	es of 50 tonnes.
			ete (FFr per ton
Dec 131	18 65 Mar	1351 15	
CAUDI	OIL ~ II	72	\$/be
	Close	Previo	us High/Low
Nov	20 42		20 50 20 29
Dec	20 40		20 50 20 35
ممل	20.32		20.42 20.28 20.25 20.20
Feb Mar	20.18 20.01		20.25 20.20
Mar IPE Ind			20 27
	y 16925 (
OAS O	L – IPE		
	Close	Previous	High/Low
			<u>`</u>
Oct	168 50 192 50	186 75 190.50	188 75 187 00 192,50 190,75
Nov Dec	194.75	193.25	194.75 193.25
Jen	195.25	193.75	195.25 184.00
Feb	191 75	190.75	191.75 191.00
Mar	185 00	184.50	188 00 185.75
Aor	181.25	180 50	181 25
May	178 00	177 50	178.00
Turnove	er 12461 (1	4625) lots	of 100 tonnes
JUTE		_	F Dundee BTC

Dec Mar	661 692	856 687	872 854 702 686
May	711	706	719 704
Jul	730	724	732 727
Sep	746	742	750 744
Doc Mar	771 7 9 9	768 796	776 788 802 800
May	B16	815	819 816
иглоч	er 9015 (6656) lots o	i 10 tonnes
icco li orice ki	ndicator × Sep 21	prices (SDF 760.27 (74)	ks per tonne). Dai 1.67) 10 day averaç
or Sep	22 774.5	6 (778 46)	
COFFE		don FOX	\$/tanr
	Close	Previous	High/Low
Sep Nov	794 804	805 816	810 799 826 802
Jan	810	821	826 808
Var	820	834	B35 818
day 	820	625 220	829 818 835 830
Jul .	832	830	835 830
		1678) lots of	
Sep 18:	Comp.	ا 19 والعلام العلام 49 والعلام	ents per pound) to (47.41) 15 day ave
	53 (46.37		,,
TATO	OKS - 1	onden PO	K S/tonr
	Close	Previous	High/Law
4ov	50.0		40.0
Apr	82 5	59.6	64.0 60 5
) lots of 20	
		·	
	1841 - 1	Loadea FO	X E/lonn
OYAL			
IQYAB	Close	Previous	High/Low
		Previous	High/Low 134.00
Det	Close 134.00	•	134.00
Det	Close 134.00	Previous on of 20 to	134.00
Oct	Close 134.00 r 24 (-) i	•	134.00
Oct 'urnove	Close 134.00 r 24 (-) i	ots of 20 to	134.00 nnes.
Oct Turnove TREIGH	Close 134.00 F 24 (-) I TT - Les Close 1054	ots of 20 to adon FOX Previous 1045	134.00 nnes. \$10/Index poli High/Low 1054 1045
Oct THE GH	Close 134.00 F 24 (-1) Close 1054 1135	ois of 20 to widon FOX Previous 1045 1125	134.00 nnes. \$10/Index poli High/Low 1054 1045 1145 1124
Cet FREEGH Rep Cet Nov	Close 134.00 r 24 [-] I ft - Les Close 1054 1135 1150	ots of 20 to adon FOX Previous 1045 1125 1140	134.00 nnes. \$10/Index pole High/Low 1054 1045 1145 1124 1155 1140
Cet FREIGH Sep Cet Sev Jan	Close 134,00 r 24 (-) l ft - Les Close 1054 1135 1150 1175 1235	ois of 20 to widon FOX Previous 1045 1125	134.00 rines. \$10/Index poli High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230
Cet Sep Oct Solv San Spr Sul	Close 134.00 or 24 (-1 i TT - Les Close 1054 1135 1150 1175 1235 1086	nois of 20 to redon FOX Previous 1045 1125 1140 1170 1225 1076	134.00 nnes. \$10/Index pol High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230 1068
Cet Gep Cet Hov Hor Han Hall Hall Hall Hall Hall Hall Hall	Close 134.00 or 24 [-1 i ff - Les Close 1054 1135 1150 1175 1236 1280	nois of 20 to redon FOX Previous 1045 1125 1140 1170 1225 1076 1271	134.00 nnes. \$10/Index poli High/Low 1054 1054 1155 1140 1155 1140 1155 1170 1245 1230 1088
Oct FREIGH Sep Oct lov lan lop freigh	Close 134.00 or 24 (-1 i TT - Les Close 1054 1135 1150 1175 1235 1086	ois of 20 to adon FOX Previous 1045 1125 1140 1170 1225 1076 1271 1048	134.00 nnes. \$10/Index pol High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230 1068
Oct FREIGH Sep Oct Nov Npr kul Oct SFI	Close 134.00 or 24 [-1 i FT - Los Close 1054 1135 1155 1235 1086 1054 1054 0 or 372 (31	ots of 20 to widon FOX Previous 1045 1125 1140 1170 1225 1076 1271 1046	134.00 nnes. \$10/Index poli High/Low 1054 1054 1155 1140 1155 1140 1155 1170 1245 1230 1088
Cet CHECKE C	Close 134.00 or 24 [-1 i ft - Los Close 1054 1135 1135 1235 1056 1054 or 372 (31	ots of 20 in months of 20 in m	134.00 S10/Index poli High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1185 1170 1084 £/fanti
Cet CET CET CET CET CET CET CET CET CET CET	Close 134.00 7 24 [-1 i FT - Les Close 1054 1135 1150 1175 1235 1086 1280 1054 7 372 (31	nots of 20 to Previous 1045 1125 1140 1170 1170 1040 1171 1040 1171 1040 1171 1040 1171 1040 1171 1040 1171 1040 1171 1040 1171 1040	134.00 S10/Index poli High/Low 1054 1045 1145 1124 1155 1140 1185 1770 1084 C/tonst
Cet Sep	Close 134,00 or 24 [-1 i ft - Lee Close 1054 1135 1175 1235 1086 1280 1054 or 372 (31 6 Close 118,75	ots of 20 to side FOX Previous 1045 1125 1140 1271 1076 1271 1040 11 Ions FOX Previous 117.25	134.00 nnes. \$10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230 1098 1290 1261 1054 E/lanni High/Low 116.75
Cet Turnove REGIO Lep Det Lep Jet Jet Jet Jet Jet Jet Jet J	Close 134.00 7 24 (-1 i FT - Loe Close 1054 1135 1150 1054 17 372 (31 5 - Loe 118.75 118.65	ots of 20 to previous 1045 1140 1125 1170 1225 1076 1076 1171 1048 11) Previous 117.25	134.00 S10/Index poli High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230 1088 C/lant High/Low High/Low 116.75 116.75 116.75
Coct William Reside	Close 134.00 7 24 (-1 i 17 - Les Close 1054 1135 1135 1135 1086 1280 1054 7 372 (31 6 - Less Close 118.75 118.75 118.75 118.55 122.00	nots of 20 to widen FOX Previous 1045 1125 1076 1127 1076 1177 1076 1177 1076 118.10 117.25 118.10 121.75	134.00 S10/Index poli High/Low 1054 1045 1145 1124 1155 1140 1185 1770 1086 C/tons High/Low 118.75 118.75 118.75 118.40 122.25 122.00
Continumove Conti	Close 134.00 7 24 (-1 i FT - Loe Close 1054 1135 1150 1054 17 372 (31 5 - Loe 118.75 118.65	ots of 20 to siden FOX Previous 1045 1125 1170 1225 1076 1271 1048 11 11 11 11 11 11 11 11 11 1	134.00 S10/Index points. \$10/Index points. High/Low 1054 1045 1145 1124 1155 1140 1245 1230 1063 1063 1064 E/lant High/Low 118,75 118,75 118,75 118,40 122,25 122,00
Continued of the contin	Close 134.00 134.00 17 24 [-1 1 17 - Los Close 1054 1135 1150 1157 1236 1054 1175 1236 1054 17 372 (31 5 - Loss Close 118.75 118 55 122.00 125.10 125.50	ots of 20 to Previous 1045 1145 1170 1225 1076 1271 1048 11) Ion FOX Previous 117.25 118.10 121.75 124.65 126.30	134.00 Innes. \$10/Index pointers. \$10/Index pointers. High/Low 1054 1045 1145 1124 1155 1140 1285 1230 1285 1230 1280 1280 1261 1054 E/lant High/Low 118.75 118.40 122.25 122.00 128.75 124.90 128.75 128.50
Continued of the contin	Close 134.00 134.00 17 24 [-1 1 17 - Los Close 1054 1135 1150 1157 1235 1086 11875 1280 1054 17 372 (31 5 - Loss Close 118.75 118.65 122.00 123.50 Close	ots of 20 to Previous 1045 1146 1125 1076 1271 1048 11 1048 11 1072 118.10 121.75 124.65 126.30 Previous	134.00 \$10/Index politics \$10/Index politics 1054 1045 1145 1124 1155 1140 1125 1120 1265 1230 1066 £/tonn High/Low 118.75 118.75 118.40 122.55 122.00 128.75 128.50 High/Low High/Low
Det urnove control of the control of	Close 134.00 7 24 (-1 i FT - Loe Close 1054 1135 1150 1056 1220 1054 7 372 (31 5 - Loe 118.75 125 00 1055 125 00 1055 118.65	ots of 20 to widen FOX Previous 1145 1140 1170 1125 1076 1076 1076 1170 1080 1170 1	134.00 Innes. \$10/Index politics High/Low 1054 1045 1145 1124 1155 1140 1185 1170 1285 1230 1089 \$2/Ionn High/Low 118,75 118,40 122,25 122,00 128,75 128,50 High/Low 115,65 115,16
PREIGH INFORMATION THE INFORMATION TH	Close 134.00 17 24 (-1 1 17 - Los Close 1054 1135 1150 1175 1280 1054 1280 1054 1175 1280 1280 1054 118.75 118.65 118.65 118.65 118.65 118.65 118.65	ots of 20 to side FOX Previous 1045 1125 1140 1225 1076 1271 1046 1) loss FOX Previous 117.25 118.10 121.75 124.65 128.30 Previous 115.00 115.00	134.00 S10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1245 1230 1098 1290 1251 1054 Light/Low 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75 116.75
Oct urriove control of the control o	Close 134.00 7 24 (-1 i FT - Loe Close 1054 1135 1150 1056 1220 1054 7 372 (31 5 - Loe 118.75 125 00 1055 125 00 1055 118.65	ots of 20 to widen FOX Previous 1145 1140 1170 1125 1076 1076 1076 1170 1080 1170 1	134.00 S10/Index politics S10/Index politics HightLow 1054 1045 1145 1124 1155 1140 1285 1200 1086 C/tonn High/Low 115.75 118.40 122.25 122.00 128.75 128.50 High/Low 115.95 115.16 119.55 116.16 119.55 119.10
Det urnove transport to the transport to	Close 134.00 7 24 (-1 i FT - Los Close 1054 1135 1150 1175 1236 1054 7 372 (31 6 - Loss 118.55 122.00 125.10 125.50 125.50 125.50 125.50 125.50 125.50 125.50 125.40	ots of 20 to sides FOX Previous 1145 1140 1170 1125 1076 1078 1078 1078 1178 1088 11725 118.10 121.75 124.53 128.30 Previous 115.00 119.00 119.00 119.00 119.525	134.00 Innes. \$10/Index politics HightLow 1054 1045 1145 1124 1155 1140 1185 1170 1245 1230 1069 \$2/tonn HightLow 118,75 118,40 122,25 122,00 128,75 128,50 HightLow 115,95 115,15 119,95 115,15 119,95 115,15 119,95 115,16
Oct Turnove Scop Scop Scop Scop Scop Scop Scop Scop	Close 134.00 134.00 124 (-1 1 17 - Los 1054 1135 1150 1280 1054 1137 137 1386 1280 1054 1175 1286 1280 1054 1175 1286 1280 1056 1280 1058 118.75 118.65 122.00 125.10 126.50 Closs 115.65 122.60 125.40 125.40	ots of 20 to sides FOX Previous 1145 1140 1170 1125 1076 1076 1171 1048 11 Institute of the sides of the s	134.00 S10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1058 1290 1251 1054 E/loant High/Low 116,75
Oct Transport Control of Control	Close 134.00 7 24 [-1 1 77 - Los Close 1054 1135 1135 1135 1236 1054 1175 1236 1155 12200 1054 116.75 118 85 122.00 125.10 125.50 Close 116.65 118.65 122.60 125.60	ots of 20 to side FOX Previous 1045 1140 1125 1076 1271 1040 11 1076 1271 1040 11 11 11 11 11 11 11 11 11 11 11 11 11	134.00 Innes. \$10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1155 1140 1255 1200 1098 1200 1261 1054 E/toma High/Low 116.75 116
Oct Transport Control of Control	Close 134.00 134.00 124 (-1 1 17 - Los 1054 1135 1150 1280 1054 1137 137 1386 1280 1054 1175 1286 1280 1054 1175 1286 1280 1056 1280 1058 118.75 118.65 122.00 125.10 126.50 Closs 115.65 122.60 125.40 125.40	ots of 20 to side FOX Previous 1045 1140 1125 1076 1271 1040 11 1076 1271 1040 11 11 11 11 11 11 11 11 11 11 11 11 11	134.00 S10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1058 1290 1251 1054 E/loant High/Low 116,75
Oct urnove con control of the contro	Close 134.00 124 [-1 1 17 - Los Close 1054 1135 1135 1135 1135 1236 11575 1236 12200 1054 116.75 118 65 122.00 125.10 122.50 Close 116.65 118.65 122.60 125.40 125.40 125.40 125.40 125.40 125.40 125.40 125.40 125.40 125.40	ots of 20 to side FOX Previous 1045 1140 1125 1076 1271 1040 11) Icon FOX Previous 117.25 118.10 121.75 124.65 128.30 Previous 115.00 122.80 115.00 122.80 125.26 108 Tonnes	134.00 S10/Index poil High/Low 1054 1045 1145 1124 1155 1140 1165 1200 1098 1290 1261 1054 E/lant High/Low 116.75 116.7
oct urnove con	Close 134.00 7 24 [-1 1 77 - Los Close 1054 1135 1135 1135 1235 1054 1175 1235 1156 1220 1054 7 372 (31 8 - Loss 118.75 118.65 122.50 Close 115.65 122.60 125.10 125.50 Close 115.65 122.60 125.60 Close	ots of 20 to side FOX Previous 1045 1140 1125 1076 1271 1040 11) Icon FOX Previous 117.25 118.10 121.75 124.65 128.30 Previous 115.00 122.80 115.00 122.80 125.26 108 Tonnes	134.00 S10/Index points. \$10/Index points. High/Low 1054 1045 1145 1124 1155 1140 1255 1200 1205 1230 1205 1251 1054 C/form High/Low 118,75 118,40 122,25 122,00 128,75 128,50 High/Low 119,55 115,15 119,55 115,15 119,55 115,15 119,55 115,15 119,55 115,15 119,55 115,15 119,55 115,15 122,50 122,40 125,40 3eriey 290 (209).

Cash 1264-5 3 months 1287-7	. 6	1267- 1289-		1290/1288	9 1	1264-4.5 1267-7.5	1258-6.6	5 183	,949 lots
Copper, Grade A (1202 120	<u> </u>	2017.5		ly turnover	
Cesh 1404.5		1417-		1400/1395	15 1	398,5-99	1000 481	iy mineral	OCOUR IO
3 months 1432-3		1441-		1435/1424		424.5-5	1426.5-7	7 153	,704 lots
Lead (£ per sonne)							Total ca	dly turnove	r 2,760 lot
Cash 353.5-4		352-2	-5	353/352.5		352.75-3			
3 months 363-4		303-3	.5	365/362	3	183-3.5	364-5	27,6	500 lots
Nickel (\$ per tonne	9)						Total da	uly turnove	r 6,274 lot
Cash 6805-1	5	6845-	50			795-800			
3 months 6880-5		6920-	5	6915/6960		870-80	8880-5		89 lots
Tin (\$ per tonne)							Total de	uły turnove	r 2,361 tol
Cash 6600-16 3 months 6650-66		864C- 870G-		6690/6620		i595-600 1640-45	9680-70	111	193 lots
Zinc, Special High				030000000		~~~		ly zumover	
Cash 1351-3		1372-		1348/1347		347.5-8	TOTAL CAN	À munose.	11,038 101
3 months 1339-4	0	1349		1347/1338		336.5-7	1339-40	64.0	122 lots
LME Closing D'S r	ate:								
SPOT: 1.7090		3 mon	ths: 1.68	45	61	months: 1.6	852	9 mai	nths: 1.6471
LONDON BULLIO	N MAI	KIT			Ne	w Y	ork		
(Prices supplied to	y N M	Roghsc	żνid)						
Gold (troy oz)					GOT	100 troy o	z: Suroy o		
\$ pri			equive	Jent		Close	Previous	High/Low	
	70-350.0				Sep	348.8	347.5	0	0
Opening 347.3 Morning fix 347.5	20-347.6 50		01.800		Oct	349.1	347.8	351.0	346.5
Afternoon fix 349.1	15	2	03.943		Nov Dec	349 8 350.7	348.5 349.4	0 352.9	0 348 0
	90-351.1 90-345.9				Feb	352.2	350.8	354.0	349.7
					Арг	353.6	352.2	0	C .
Loco Lán Mean G					Jun Aug	355.1 356.8	353.7 355.3	355.6 0	355.4 D
	.40 .35	6 mor		2.35 2.45	Qci	358.6	357.0	ō	ō
	.35	12 ma	HTU15	245	PLAT	INUM 50 to	oy oz: S/tro	v oz.	
Silver for p/gra	w 00		IS ets e	a de	_	Close	Pravious	High/Law	
				-qua-	Oct	366.2	363.7	366 5	360.5
Spot 220.4 3 months 225.3			79.10 81.95		Jan	382.2	360.0	362.7	357.2
6 months 229 6		3	85.00		Apr	360.7	358.0	362.0	355.0
12 months 238.5	15	3	91.60		701	380.7	358.0	0	<u></u>
GOLD COMS					SILVE	_	y oz, cents	/troy oz.	
s,	orice		£ equiv	sient		Close	Previous	High/Low	
	8.00-346		200.00-2		Sep	382.8	390.7	386.0	380.5
Maple feat 360	35-362	.65	-	21.20	Oct	383.0 383.5	381.0 381.5	0	0
New Sovereign 84.	00-86-0	0	49.00-50	.00	Dec	385.2	383.2	390.0	380.0
TRADED OPTION	8				Jan	386.5	384.5	386.0	386.0
		alis			Mar May	388 9 391.4	386.9 389.4	393.0 393.0	384.0 387 0
Alternitatura (99.7%)				'uts	Jul				
			Oct			303.8	391.8	397.0	389.5
Strike price S tonn	e Oct	- yeu		Jan	Sep	396.3	394.3	397.6	397.5
1250	e Oct 26	68	3	14	Sep Dec	396.3 400.4	394.3 398.4	397.6 402.0	397.5 397.5
1250 1300	26 3	68 28	3 29	14 34	Sep Dec	398.3 400.4 QRADE CO	394.3 398.4	397.6	397.5 397.5
1250 1300 1350	26 3 3	68 28 12	3 29 77	14 34 86	Sep Dec	396.3 400.4	394.3 398.4	397.6 402.0	397.5 397.5
1250 1300 1350 Copper (Grado A)	26 3 3 C	68 28 12	3 29 77	14 34 86 uts	Sep Dec HIGH Sep	396.3 400.4 GRADE CO Close 106.10	394.3 396.4 3PPER 25,0 Previous 107.40	397.6 402.0 00 lbs; csn High/Low 107.20	397.5 397.5 ts/bs
1250 1300 1350 Copper (Grade A) 2350	26 3 3 7	68 29 12 12	3 29 77 P	14 34 86 uts 35	Sep HIGH Sep Oct	396.3 400.4 GRADE CO Close 106.10 106.30	394.3 396.4 3PPER 25,0 Previous 107.40 107.75	397.6 402.0 00 lbs; can High/Low 107.20 107.45	397.5 397.5 ts/lbs
1250 1300 1360 Copper (Grade A) 2350 2400	26 3 3 7 63 27	68 28 12 12 89 81	3 29 77 P	14 34 86 uts 35 56	Sep HIGH Sep Oct Nov	396.3 400.4 GRADE CO Close 106.10 106.30 106.80	394.3 396.4 3PPER 25,0 Previous 107.40 107.75 106.10	397.6 402.0 00 lbs; csn High/Low 107.20 107.45 107.90	397.5 397.5 197.bs 106.05 106.20 106.55
1250 1300 1350 Copper (Grade A) 2350 2400 2450	26 3 3 7	68 29 12 12	3 29 77 P	14 34 86 uts 35	Sep HIGH Sep Oct	396.3 400.4 GRADE CO Close 106.10 106.30	394.3 396.4 3PPER 25,0 Previous 107.40 107.75	397.6 402.0 00 lbs; can High/Low 107.20 107.45	397.5 397.5 19/bs
1250 1300 1360 Copper (Grade A) 2350 2400	26 3 3 7 63 27	68 28 12 12 89 81	3 29 77 P	14 34 86 uts 35 56	Sep Dec HIGH Sep Oct Nov Dec Jan Feb	398.3 400.4 GRADE CC Close 106.10 106.30 107.05 107.05 107.20	394.3 396.4 DPPER 25,0 Previous 107.40 107.75 108.10 108.40 108.45 108.45	397.6 402.0 100 lbs; csh High/Low 107.20 107.45 107.90 108.15 0	397.5 397.5 197.bs 106.05 106.20 106.55 108.70 0
1250 1300 1350 Copper (Grade A) 2350 2400 2450	26 3 3 3 63 27 8	69 29 12 12 89 81 40	3 29 77 P 4 18 49	14 34 66 143 35 56 84	Sep Dec HIGH Sep Oct Nov Dec Jan Feb Mar	SRE.3 400.4 GRADE CC Close 106.10 106.30 106.80 107.05 107.15 107.20 107.25	394.3 396.4 3PPER 25,0 Previous 107.40 107.75 106.10 106.40 108.45 108.45 108.50	397.6 402.0 00 lbs; can High/Low 107.20 107.45 107.90 108.15 0 0	397.5 397.5 197bs 105.05 105.20 106.55 108.70 0 0
1250 1300 Copper (Grade A) 2350 2400 2490 Coffee 750	26 3 3 3 63 27 8 Nov	68 28 12 12 89 81 40 Jun 115 76	3 29 77 P 4 18 49 Nov	14 34 66 uits 35 56 84 Jen 6	Sep Dec High Sep Oct Nov Dec Jan Feb Mar Apr	398.3 400.4 GRADE CC Close 106.10 106.30 107.05 107.05 107.20	394.3 396.4 DPPER 25,0 Previous 107.40 107.75 108.10 108.40 108.45 108.45	397.6 402.0 100 lbs; csh High/Low 107.20 107.45 107.90 108.15 0	397.5 397.5 197.bs 106.05 106.20 106.55 108.70 0
1250 1300 1306 Copper (Grade A) 2350 2400 2400 Coffee 700 758	26 3 3 3 63 27 8 Nev 105 61 29	68 28 12 12 89 81 40 115 76 46	3 29 77 P 4 18 49 Nov	14 34 86 143 35 56 84 Jen 6	Sep Dec HIGH Sep Oct Nov Dec Jan Feb Mar	398.3 400.4 GRADE CC Close 106.10 106.30 107.05 107.05 107.25 107.10	394.3 396.4 3PPER 25,0 Previous 107.40 107.75 106.40 108.45 108.45 108.50 108.35	397.6 402.0 00 lbs; ceni High/Low 107.20 107.45 107.90 108.15 0 0	397.5 397.5 195.05 105.20 106.55 108.70 0 107.10
1250 1300 Copper (Grade A) 2350 2400 2490 Coffee 750	26 3 3 3 63 277 8 Nov 105 61 29 Dec	68 28 12 12 89 81 40 Jun 115 76	3 29 77 P 4 18 49 Nov	14 34 66 uits 35 56 84 Jen 6	Sep Dec Hilgh Sep Oct Nov Dec Jan Feb Mar Apr May Jun	398.3 400.4 GRADE CC Close 108.10 106.30 107.05 107.15 107.25 107.25 107.10 106.85 108.85	394.3 396.4 3PPER 25,0 Previous 107.40 107.40 108.40 108.45 108.45 108.50 108.35 108.10 107.90	397.6 402.0 00 lbs; cent High/Low 107.20 107.45 107.90 108.15 0 0 108.25 0 107.80	397.5 397.5 397.5 106.05 106.20 106.55 108.70 0 107.10 0
1250 1300 1300 Copper (Grade A) 2350 2400 2490 Celles 700 700 700 800 Coccas	26 3 3 3 63 277 8 Nov 105 61 29 Dec 49	68 29 12 12 89 81 40 40 115 76 46 Mar	3 23 77 P 4 18 49 Nov 1 7 25 Dec	14 34 88 35 56 84 Jan 6 17 37 Mar	Sep Dec Hilgh Sep Oct Nov Dec Jan Feb Mar Apr May Jun	398.3 400.4 GRADE Ct Close 108.10 106.80 107.05 107.15 107.25 107.10 106.85 106.85	394.3 396.4 396.4 107.40 107.75 108.10 108.45 108.45 108.45 108.35 108.10 107.50 107.50 107.50 108.35 108.10	397.5 402.0 00 lbs; csni High/Low 107.20 107.45 107.90 108.15 0 0 108.25 0 107.90	397.5 397.5 397.5 106.05 106.20 106.55 108.70 0 107.10 0
1250 1300 Copper (Grade A) 2400 2490 Ceñes 700 750 800 Cectas 625	26 3 3 3 63 27 8 Nov 105 61 29 Dec 49 34	58 29 12 113 89 81 40 115 76 46 Mar 85 69	3 29 77 P 4 18 49 Nov 1 7 26 Dec	14 34 86 84 35 66 84 Jan 6 17 37 Mar 19 28	Sep Dec Hilgh Sep Oct Nov Dec Jan Feb Mar Apr May Jun	398.3 400.4 GRADE CC Close 108.10 106.30 107.05 107.15 107.25 107.25 107.10 106.85 108.85	394.3 396.4 396.4 399PER 25,0 Previous 107.40 107.75 106.10 108.45 108.45 108.45 108.35 108.10 107.90 107.90 107.90 107.90 107.90 107.90 107.90 107.90	397.6 402.0 00 lbs; cent High/Low 107.20 107.45 107.90 108.15 0 0 108.25 0 107.80	397.5 397.5 105.05 106.20 106.55 108.70 0 0 107.10 0
1250 1300 1300 Copper (Grade A) 2350 2400 2490 Celles 700 700 700 800 Coccas	26 3 3 3 63 277 8 Nov 105 61 29 Dec 49	68 29 12 12 89 81 40 40 115 76 46 Mar	3 23 77 P 4 18 49 Nov 1 7 25 Dec	14 34 88 35 56 84 Jan 6 17 37 Mar	Sep Dec High Sep Oct Nov Dec Jan Feb Mar Apr May Jun	398.3 400.4 GRADE CO Close 108.30 106.80 107.05 107.05 107.20 107.20 107.20 107.20 107.5 108.85 108.85 108.85	394.3 396.4 396.4 396.4 107.40 107.75 106.40 108.45 108.50 108.51 108.50 108.50 108.50 108.7 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	397.6 402.0 00 lbs; cent High/Low 107.20 107.45 107.90 108.15 0 0 108.25 0 107.90 108.25 0 108.25	397.5 397.5 197.bs 106.05 106.20 106.20 106.55 106.70 0 107.10 0
1250 1300 Copper (Grade A) 2400 2490 Ceñes 700 750 800 Cectas 625	26 3 3 3 63 27 8 Nov 105 61 29 Dec 49 34	58 29 12 113 89 81 40 115 76 46 Mar 85 69	3 29 77 P 4 18 49 Nov 1 7 26 Dec	14 34 86 84 35 66 84 Jan 6 17 37 Mar 19 28	Sep Dec High Sep Oct Nov Dec Jan Feb May Jun COTT	398.3 400.4 400.4 Close 108.10 108.30 107.05 107.15 107.25 107.10 108.85 108.85 108.85 108.85 108.85 108.85 108.85	394.3 396.4 396.4 399.ER 25.0 Previous 107.45 107.75 106.10 108.45 108.45 108.50 108.35 108.10 107.90 cents/lba Previous 56.57 7.60	397.6 402.0 00 lbs; csni High/Low 107.45 107.90 108.15 0 0 108.25 0 107.90 0 High/Low High/Low 59.73 58.60	397.5 397.5 397.5 106.05 106.20 106.55 106.70 0 0 107.10 0
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1250 1300 1300 Copper (Grade A) 2350 2400 2490 Coffee 700 759 800 Coctes 825 650 650 675	e Oet 26 3 3 3 5 63 27 8 Nov 105 61 29 Dec 49 34 22 Nov 21	68 28 12 112 89 81 40 40 115 76 46 Mar 85 69 54	3 23 77 P 4 18 49 Nov 1 7 25 Dec 13 23 36	14 34 86 86 84 96 84 97 97 97 97 97 97 97 97 97 97 97 97 97	Sep Dec High Sep Oct Nov Dec Jan Feb May Jun COTT	398.3 400.4 Close 108.10 108.30 107.05 107.15 107.25 107.10 108.85 108.85 108.85 108.85 56.00 56.75 57.95	394.3 396.4 396.4 107.40 107.75 106.10 108.45 108.45 108.50 108.35 108.10 108.50 108.35 108.10 58.97 57.80 58.97 58.97 59.20 59.40	397.6 402.0 00 lbs; csni HightLow 107.45 107.40 108.15 0 0 108.25 0 107.30 0 HightLow	397.5 397.5 197.bs 106.05 106.20 106.55 106.70 0 0 107.10 0 0
1250 1300 1306 Copper (Grade A) 2350 2400 2450 Coffee 700 760 800 Cocus 625 635 675	e Oet 26 3 3 3	58 28 12 12 89 81 40 115 76 46 Mar 85 89 54	3 28 77 P 4 18 49 Nov 1 7 26 Dec 13 23 36 Nov	14 34 66 65 141	Sep Doc HIGH Sep Oct Nov Dec Jan Mar Apr May Jun Cott Oct Mar May	398.3 400.4 GRADE CC Close 108.10 108.30 107.05 107.15 107.25 107.10 108.85 108	394.3 396.4 396.4 396.4 396.4 396.4 107.4 107.7 106.40 108.45 106.5 108.	397.6 402.0 00 lbs; cent High/Low 107.20 107.45 107.90 108.25 0 108.25 0 107.90 0 High/Low 59.73 58.60 57.75	397.5 397.5 397.5 106.05 106.20 106.55 106.70 0 0 107.10 0 107.30 0

~~!5	E 08 A la		US galls \$/	newel		niçaç	10		
CHOU	Close	Previous	High/Low	<u></u>			<u> </u>		
Oct	21.68	21,92	22.02	21.70	SOY		,000 bu min;		
Nav ·	21.78	21.75	21.91	21.81		Close	Previous	High/Lov	<u>, </u>
Dec Jan	21.71 21.60	21.65 21.52	21.81 21.69	21.68 21.60	Nov	539/4	544/0	543/4	538/2
Feb	21.46	21.38	21.54	21.48	Jan Mar	545/6 553/0	550/6 558/0	550/2 558/0	644/6 652/2
Mar	21.32	21.24	21.35	21.28	May	580/4	565/2	585/0	550/2
Apr	27.18 21.05	21.10 20.97	21.26 21.11	21.18 21.08	أمال	667/0	572/4	572/0	566/4
May Jun	20.93	20.85	20.99	20.98	Aug	588/4	673/2	573/0	568/4
الحال	20.83	20.74	20.92	20.65	Sep Nov	566/0 573/0	570/4 57 9 /0	0 575/0	0 570/8
HEAT	ING OIL 4	2,000 US ga	ılla, cems/l	IS galls			. 60,000 lbs;		ara-
	Close	Previous	High/Low		. —	Close	Previous	High/Lov	v
Oct	62.63	62.17	62.90	62.25	Oct	18.62	18.70	18.73	18.50
Nav Dec	63.35 84.15	62 <u>.98</u> 63.66	63.60 64.40	63.05 63.75	Dec	18.87	18.95	19.01	16.76
Jan	64.53	64 D5	64.65	64.15	Jan Mar	19.05 19.29	19.13 19.38	19.15	18.95
Feb	63.58	63.08	63.65	63.20	May	19.58	19.65	19.42 19.67	19.16 19.44
Mar	61,23 59,23	80.78 58.83	61.30 59.35	60.90 56.95	Jut	18.80	19.89	19.87	19.70
Apr May	57 88	57.53	58.10	58.00	Aug	19.92	20.01	20.02	19.82
, ium	55.98	58.66	57.20	57.80	Sap	20.03	20.11	20.14	19.95
Jul	56.73	56.43	56.80	56.75	9074	De an an	44		
COCO	A 10 tonn	es:\$/lonne	3		3017		AL 100 tons;		
	Close	Previous	High/Low	-	·	Close	Previous	High/Low	
Dec	995	988	1010	991	· Oct Dec	185.5 185.6	186.9 186.7	187 0	185.3
Mar	1045	1040	1061	1043	Jan	185.8	186 7	187,2 186.9	185.2 185.4
May	1078 1106	1072 1100	1095 1120	1077 1119	Mar	185.8	186.9	187.0	185.6
Sep	1135	1129	1144	1140	May Jul	185.8 185.9	186.8	186.9	185.6
Dec	1168	1186	1170	1186	AUG	187.5	187.6 188.7	187 <u>.9</u> 188.7	186.8 187.5
Mar May	1205 1230	1203 1228	1220	12220	Sep	188.C	188.7	188.5	188.0
Jul	1267	å	1270	1270	MAIZ	5,000 bu	min; cents/5	Wh humber	
						Close	Previous	High/Low	
					Dec	214/4			
COFFE	E "C" 37,	500lbs; сел	ts/lbs		Mar	223/2	216/2 225/0	217/0 225/6	214/0 222/6
	Close	Pravious	High/Low		May	229/6	231/2	232/2	229/4
Dec	56.85	56.90	57.35	54.80	Jul [*] Sep	234/2 235/2	236/0	236/6	234/0
Маг	58.00	58.10	58.75	56.10	Oec	239/2	237/2 241/0	236/4	235/2 235/0
May	61 00	61.60	62.00	59.00	Mar	246/0	5-170	241/0 248/4	245/0
Jul Sep	62.00 63.10	62,60 63,25	63.00 64.10	60 90 62.40	WHEA	T 5,000 bu	min; cente/		
Dec	65.25	62.90	65.25	65.25	_	Close			
SUGAI	R WORLD	~11° 112,0	00 lbs; cent	s/lbs	Dec	336/2	Previous	High/Low	
	Closs	Previous	High/Low		Mar	340/2	342/6 346/6	342/4 346/0	336/0 339/6 -
Oct	8.68	8.69	8.81	8.59	May	335/0	341/4	340/4	334/4
Mar	8.54	8,68	8.76	8.58	Jul Sep	314/8 329/4	319/2 324/4	318/4	314/4
May	6 72	8.75	6.80	8.67	Dec	331/0	335/0	321/0 332/0	320/4 331/0
Jul Oct	8.74 8.71	8.75 8.74	8.81 8.75	8.70 8.65	LIVE	ATTLE 40	,000 lbs; cen		-
•••	۵,,					Close	Previous		
					Oct	75.776		High/Low	
OPAN	CE HHOE	15,000 lbs;	cents/live		Dec	73.650	75.775 73.575	76.150 73.650	75.600 73.650
CHAM					Feb	71.575	72.025	72.250	71.850
	Close	Previous	High/Low		Apr Jun	73, 125	73.200	73.350	73.025
Nov	114.15	114.70	114.20	113.50	Aug	70.025 . 68.750	70.150	70.250	70.000
Jan	114.30	114.70 114.80	115.20 115.85	113.75 114.00	Oci	68.80p	68.775 68.925	68.900 69.000	68,750 68 600
Mar May	114.40 115.30	115.80	116.25	115.30	LIVE H	DGS 40 W	O lb; centa/		
Jus	114,80	115.30	116.40	114.80				D6	
Sep	114,80	115.30	<u>.</u>	0		Close	Previous	High/Low	
Nov	114,80	115.30 115.30	0	0	Det Dec	40.775	41.150	41.200	40,700
1êu	114,90	(19790	•	·	Feb	41.560 40.450	42.100	42.125	41.525
					Apr	38,700	40.825 38.925	40.925	40.350
					.iun	44.075	30.923 44.303	39.050 44,325	38 600 44,075
INDI	CES				Jui	44.050	44.200	44,200	44,050
REUT	ERS (Bas	e: Septemb	er 18 1931	- 100)	Aug Oct	43.000 40.400	43.200	43.000	42,950
I—	Sep 22		mnth ago				40.425	40 400	40 400
1-	1579.6	1578.1	1523.4	1638.1	POHK		0,000 lbs; ce	inte/ilb	
DOW			1 1974 = 1			Close	Previous	High/Low	
1	Sep 21		Wuth 980		Feb Mar	39.325	41.000	40.950	38.000
Spot	118.17	119.07	.117.45	117 96	mar May	39.376 41.000	40.900	40.900	33,350
	95 116.39	118.35	116.66	124,12	Jul .	41.100	42 400 42,400	41.500 41.100	40.775
					Aug	39.600	41.150	41.100	40 700 39 600
									J. 200

LONDON STOCK EXCHANGE

Equities warm to interest rate cut

By Terry Byland, UK Stock Market Editor

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THE ONE-POINT reduction to 9 per cent in the Bank of England's minimum lending rate, followed by promises of mortgage rate cuts from one of the largest UK house lenders, was welcome news in the stock market yesterday. The response from equities was cautious at first, but sterling's relatively favourable performance encouraged hopes that further base rate cuts could follow soon. The FT-SE Index

closed 25.9 up at 2,586. The stock market displayed nervousness regarding both the signs of political strains on the UK Conservative government ahead of tomorrow's

mons, and also a rash of rumours of further impending developments in ERM member currencies.

Share prices opened lower and the FT-SE Index was nearly 15 points off in the first half hour of electronic trading. But the Bank, in contradiction to the previous day, made early signals in the London money markets of its inten-tions to cut rates.

When the news came, equities hung fire, advanced, and then slipped back again as dealers watched sterling's progress. At mid-morning, the currency watch intensified on disclosure that the UK monthly trade deficit widened to £1.19bn in August, somewhat larger than expected in the City of London.

Account Dealing Dates Sea 21 Oct 16 Oct 28 Oct 12 "How time dealings may take place from 8.30 am two business days earlier.

However, while the burgeoning trade deficit was seen as a grim reminder of Britain's economic problems, it was not seen as any immediate threat to the chances of further cuts in base rates in the near

Encouraged by a batch of corporate deals in the brewery Britain's departure from the sector, and suggestions that a bigger deal will unfold today, shares recovered strongly and ERM was seen as opening the way for interest rate cuts. Fund managers were yester-

gain of 38.3 on the Footsie; this away from the dollar-earners brought the Footsie to within a which starred in the equity couple of points of the 2,600 The advance ran out of

per cent increase in August housing starts, the largest rise for nineteen months. Seaq volume remained high at 987.8m shares against 953.4m on Monday, when retail or customer business worth £1.8bn continued to bear witness to the weight of institutional investment in equities since

steam when New York opened

and quickly dipped to a fall of

26 Dow points in London

hours, despite news of a 10.4

moved ahead to show, at best a day turning their attention which starred in the equity market last week. Many of the big names, including Glaxo and RTZ, gave ground and early gains in other internationals were trimmed after Wall Street opened.

investors were buying more strongly into the domestic. interest rate-orientated issues, such as Sears, Kingfisher and GUS. Often the buying took the form of block deals as shares found ready buyers across the full range.

Although substantial funds have already flowed out of government bonds and into equities, further switches in strategles are expected following meetings this week at leading securities firms.

	FI	NAN	CIAL	TIME	S ST	OCK	INDIC	ES		
	Sopt 22	Sept 21	Sept 18	Sopt 17	Sept 15	Year Ago	High	Low	Since Co High	mpiletion Low
Government Secs	89.31	89 20	89 74	89 22	88.55	87.52	90.11 (14/9)	85 11 (1/4)	127,40 (9/1/35)	49 18 (3*1775)
Fixed interest	104.0B	104.60	105 21	104 99	105.47	97.13	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1910.1	1887.8	1885.2	18152	1716.4	2009.4	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/82)	49.4 (26/6/40)
Gold Mines	60.3	81.4	79.9	80.7	74 5	161.3	160.6 (10/1)	65.0 (10/9)	734 7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2586.0	2560.1	2567 0	2483 9	2378.3	2576.6	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1118.32	1114 23	1144 61	1111 40	1098.65	1168 56	1248.79 (11/6)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord, Div. Yield ●Earning Yid %(full) ●P/E Ratio(Net)(☆)	4.51 6.72 18.85	4 67 6.61 16.60	4 69 8.84 18.53	4 85 7.07 17.82	5 08 7 41 17.10	4.71 7.54 16.53	1/7/35, Gold	mes 1295	5/26. Fores INL 5. Basis 1000 F 110/90. r. INL 17	1-9E 100 31/12 93
SEAC Bargns 5.00pm Equity Turnover(tm)† Equity Bargains† Shares Traded (mi)†	29,992	38,369 1835.7 43,589 823 5	42,538 2829 2 48,870 1156,3	37.146 2546.6 40,582 1052.2	22,530 1181.0 24,014 488.7	27,314 813.84 26,910 422.4	Indic	es*	ED AC	
	am 11 a	m 12,		n 1922.8 m 2 p	Day's	Low 1875	Barg	Edged gains	189	
1875.1 1885.3 1886.8 1901.0 1911.2 1914.7 1921.0 1913.0 1911.8 5 - Day average 149.6 137.7										
	TRA	DING	VOL	UME.	IN M	AJO	STO	CKS		

Votere Dosing Days 900's Price crange

Tesco fails to please

FIRST-HALF figures from Tesco were below analysts' expectations and the shares were held back by belief that the group will not fare as well as some of its rivals in the second half of the year.

Many analysts downgraded the shares, in spite of an increased dividend, a 9 per cent rise in sales, and higher pre-tax profits. Most lowered full-year forecasts by around 5 per cent to the £560m to £580m range.

Tesco's problem is its per-ceived comparison with Argyle and J. Sainsbury. Mr Phillip Dorgan at Goldman Sachs said: "In like-for-like sales, Tesco suffers because its concentra-tion of customers, in the C2 and DE bracket, has suffered more from the recession. While the shares may look cheap at this price, Argyll and Sainsbury do not look expensive."

Nomura took a more positive view. Moving to a buy stance, analyst Mr Andy Hughes said: "If the economy begins to recover more quickly than forecast a week ago, then Tesco will be one of the biggest beneficiaries in the foods sector. This is not a company that has lost its way overnight." Tesco shares eased a penny to 224p, Sainsbury climbed 19 to 456p and Argyll rose 9 to 335p.

Grevcoat shock

Troubled property group Greycoat saw its share price more than haive at one stage after announcing that it would not pay its promised final dividend. The company cited its need "to take a stringently pru-dent view with regard to preserving the group's cash resources". Analysts saw it as a sign that the banks, whose credit lines are keeping the company alive, had taken a firm line over the payments.

Mr Graham Stanley at County NatWest commented: "It is a sensible move considering the company could not afford to pay a dividend in the first place. But a lot of investors came into the company on assurances from the board that the dividend would be paid. It will do nothing for the board's credibility." The shares, which opened at 21p, crumbled to 8p before recovering to close at 14p, a fall of 7 on the day.

Oueens Moat deal

Queens Moat Houses, which started the day at 39p, continued its volatile run following an agency cross by James Capel at 32p. Dealers reported nore of the rumours about the financial state of the hotel group which first surfaced last week, when they drove the

NEW HIGHS AND LOWS FOR 1992



and the second of the second

shares down to 26p. At the beginning of June, they stood

at 90p. Mr Mark Finnie at County NatWest said: "There are a lot of nervous holders of the stock; worries remain about both the level of debt and the direction of the company." Capel crossed 9m shares, taking the day's volume to 25m and making the stock the second most heavily traded of the day. It finished at

Tarmac up sharply

The housebuilding/contracting sector provided three out of the market's top four performers, in Tarmac, Wilson (Connolly) and Taylor Woodrow, which jumped 11.4 per cent, 10.9 per cent and 10.2 per cent respectively after the percentage point reduction in UK interest rates. Dealers said the cut, although expected by the market, had "introduced a note of optimism in a housebuilding sector that has been totally bombed out for more than 18

The sector was already up and running from the outset as news filtered into the market that Tarmac, one of the UK's biggest volume housebuilders, had maintained its interim dividend - against most expectations that it would be sharply reduced - and further cut back capacity in its housebuilding and quarrying businesses. Two weeks ago Tarmac

tion of its brickmaking unit. Tarmac strengthened 8 to 78p on the news, amid frantic trading activity which saw more than 27m shares change hands, the most heavily-traded

stock of the day. An agency cross at 263p a share proved the trigger for a substantial rise in Wilson Bowden, which eventually settled a net 10 higher at 286p. Wilson (Connolly) ended 13 up at 132p and Taylor Woodrow was 6

The Whitbread Investment Company (WIC) reduced its holdings in Boddington, steady at 174p on turnover of 15m, J.A. Devenish, a penny up at 240p, and Marston Thompson & Evershed, off 3 at 210p. Beneficiaries of the WIC buying spree included Vaux, 2 firmer at 165p, Whitbread "A" 12 ahead at 436p, and Allied Lyons, up 12 at 636p.

triggered a surge in the clearing banks, where National Westminster advanced 14 to 348p on 11m shares dealt and Lloyds 15 to 450p on 6.8m. HSBC climbed 13 to 409p. The merchant banking and

fund management areas attracted further persistently

FT-A Ali-Share Index

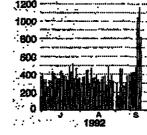
ahead at 65p. Brewer Whitbread completed

its "beer orders" - the government instructions to reduce its holdings in particular drinks groups - selling £45m worth of investments and reinvesting £30m in other regional brew-

The cut in UK interest rates

announced a heavy rationalisa- strong support as equity mar-

1,150 . 1,100 -----1992 **Equity Shares Traded**



Turnover by volume (million)

business & Overseas turnover

kets continued to climb. S.G. Warburg, whose shares have outperformed the rest of the merchant banks and the wider equity market in recent weeks, shot up 14 to 511p amid vague suggestions that the UK's leading merchant banking and fund management group may well be on the receiving end of a merger proposal from one of the top US investment banks.

Kleinwort Benson, whose securities business is thought

to have performed creditably during the recent turmoil in the markets, rose 14 to 284p. Hambros gained 6 at 244p and Schroders 13 at 1228p.

Insurers shared in the gen-

insurers shared in the general euphoria surrounding the UK equity market. Sun Alliance moved ahead 7 to 287p on exceptionally heavy turnover of 9.7m shares and Royal advanced 12 to 160p, both sustained by hopes that the reduction in interest rates would minimize domestic mortgage indemnity losses.

Preliminary profits in excess of the most optimistic forecasts and a higher than expected dividend prompted good buy-ing interest in Lloyd Thompson, the insurance broker, which appreciated 15 to 222p. A series of hefty individual trades towards the close left

Willis Corroon 7 better at 192p. Shares in the chemicals sector were among the best performers of the day as investors took stock of the favourable currency movements towards the export-led industry.

moved from a neutral to an overweight stance on the sector. Among the main movers, BOC surged 24 to 708p, Courtaulds 27 to 517p, ICI 32 to 1187p futures, writes Terry Byland. and Laporte 25 to 556p.

MARKET REPORTERS: Steve Thompson, Christopher Price Other market statistics,

EQUITY FUTURES AND OPTIONS TRADING

Hoare Govett yesterday DERIVATIVES markets sensed early that the Bank of England would cut UK lending rates yesterday and institutions continued to buy the stock index

The December FT-SE contract closed about 10 points above the fair value premium to the cash index, which allows for dividend flows and financing costs and was reestimated at about 42 after

yesterday's rate cut. Business

in the December future declined to 11.862 contracts. In later dealings, the contract extended its gain as sterling rallied strongly against the D-Mark to the accompaniment of suggestions that some form of ERM realignment was hatching in the currency

Locals, or independent traders, played a less dominating role as the running was taken up by institutions evidently seeking to position themselves ahead of the gains expected in the underlying stocks. Nicholas Knight of Nomura Research now expects the Footsle to reach 3,500 by

In traded options, business slipped to 43,383 from Monday's 44,058. The FT-SE contract traded 13,604 against 19.998. The list of active contracts was led by the Euro FT-SE with 3,058 deals.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per section CAPITAL GOODS (175)
Building Materials (23)
Constructing Construction (277) 612.27 +2.5 4.14 8.74 80.51 29.27 597.15 574.52 552.31 1159.04 Electricals (9)
Electricals (9)
Electronics (27)
Engineering-Aerospace (6)
Tengineering-General (43) 472.16 41.2 8.58 5.09 14.88 14.37 466.42 465.54 442.17 493.42 8 Metals and Metal Forming (7) 324.97 40.6 5.35 6.73 27.19 7.52 323.13 312.45 299.45 455.74 9 Motors (1.4) 326.75 +0.8 8.15 7.23 16.12 14.69 324.15 316.70 302.3 360.14 10 Other Industrial Materials (1.9) 1768.88 40.8 7.10 4.71 17.03 57.80 1754.44 1761.94 1696.58 1594.10 21 (CONSUMER GROUP (1.91) 1618.94 40.5 7.13 3.58 17.33 32.79 1610.39 1610.03 1545.88 1594.10 22 Brewers and Distillers (2.5) 2013.29 40.2 8.28 3.66 14.56 41.39 209.94 91.97.34 1924.71 1923.92 5 Food Manufacturing (1.9) 11.184.20 40.9 9.05 4.47 13.66 28.04 1174.15 1186.11 1140.92 1225.03 26 Food Retailing (1.8) 2662.22 42.5 9.24 3.40 14.04 48.07 2617.45 2601.38 4472.52 2524.83 27 Health and Household (2.5) 4306.79 -0.8 5.16 2.57 22.55 68.85 430.99 4377.53 1226.85 3670.09 Hotels and Leisure (1.8) 1055.19 -0.8 7.63 6.49 17.12 38.53 1063.37 1052.09 969.46 1335.34 30. Media (2.6) 1604.12 +1.5 6.12 3.28 20.41 32.89 1590.71 1596.99 1528.09 1536.94 31 Packaging, Paper & Printing (1.7) 728.18 +1.5 6.77 4.44 17.17 22.00 717.50 66.23 667.64 76.00 135 124.13 136.94 124.9
8 Metals and Metal Forming (7) 324.97 +0.6 5.35 5.73 27.19 7.52 323.13 312.45 299.45 455.74 9 Motors (1.4) 326.75 +0.8 8.15 7.23 16.12 14.69 324.15 316.70 302.3 360.14 10 Other Industrial Materials (1.9) 1768.88 +0.8 7.10 4.71 7.03 57.80 1754.44 1761.94 1696.58 1594.10 21 COMSUMER GROUP (1.91) 1618.94 +0.5 7.13 3.58 17.33 32.79 1610.39 1610.03 1545.88 1544.12 22 Brewers and Distillers (25) 2013.29 +0.2 8.28 3.66 14.56 41.39 2009 49 1997.34 1942.47 1923.49 25 Food Manufacturing (1.9) 11184.20 +0.9 9.05 4.47 13.66 28.04 1174.15 1186.11 1140.92 1225.03 27 Health and Household (25) 4306.79 -0.8 5.14 2.57 22.55 68.85 4340.99 437.53 422.62 3670.09 29 Hotels and Lelsure (1.8) 1055.19 -0.8 7.63 6.49 17.12 38.53 1063.37 1052.09 969.45 3670.09 29 Hotels and Lelsure (1.8) 1055.19 -0.8 7.63 6.49 17.12 38.53 1063.37 1052.09 969.45 3670.09 34 Stores (3.4) 1035.02 +1.7 6.87 362 20.41 32.29 1580.71 1599.59 1528.09 1536.96 31 Packaging, Paper & Printing (1.7) 728.18 +1.5 6.97 4.44 17.87 22.00 717.60 696.23 667.64 760.01 34 Stores (3.4) 1035.02 +1.7 6.87 362 19.41 18.94 1017.89 102.09 96.52 499.16 35 Textifes (9) 166.29 40.4 7.11 4.62 17.70 16.42 660.32 699.22 628.77 634.36 40 07HER GROUPS (1.17) 1281.89 +0.9 9.76 5.30 12.83 39.94 1269.91 1269.25 1233.73 1281.58 41 Business Services (1.7) 1342.78 -0.3 6.68 3.93 18.37 23.67 1346.95 1330.34 1277.94 1331.79 42 Chemicals (22) 1431.85 +331. 68.5 5.07 13.13 13.13 481.3 1389.35 1367.05 1327.31 1244.99 43 Conglomerates (1.0) 1289.02 -0.7 8.95 8.53 14.31 38.55 1298.32 1303.96 1257.97 1529.78 44 Transport (1.4) 2466.31 +1.2 8.15 4.79 15.11 74.86 273.91 1240.93 231.31 2372.22 45 Electricity (1.6) 1330.09 -1.3 15.64 5.51 8.24 5.01 1347.71 42.0 10.27 4.99 1.02 4.99 1.56 51 1340.95 1330.94 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1259.97 1303.98 1303.98 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303.99 1303
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10 Other Industrial Materials (19)
21 COMSUMER GROUP (191)
22 Brewers and Distiliers (25)
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26. Food Retailing (18)
29 Hotels and Lelsure (18)
30 Media (26)
31 Packaging, Paper & Printing (17) 728.18 +1.5 6.97 4.44 17.87 22.00 171.60 506.23 507.94 760.01 34 Stores (34) 103.502 +1.7 6.87 3 6.2 19.41 18.84 1037.89 1020.90 96.524 990.16 35 Textifies (9) 662.97 +0.4 7.11 4.62 17.70 16.42 660.32 649.22 628.77 634.36 40 0THER GROUPS (117) 1281.88 +0.9 9.76 5.30 12.83 39.94 1269.91 1269.25 1233.73 1281.58 41 Business Services (17) 1342.78 -0.3 6.68 5.97 18.13 23.69 1 1269.91 1269.25 1233.73 1281.58 42 Chemicals (22) 1431.85 +33.1 6.85 5.97 18.13 48.13 1389.35 1367.05 1327.31 1281.58 42 72 1281.59
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65 insurance (Life) (6)
66 Insurance (Composite) (7)
68 Merchant Banks (7) 461.85 +2.5 - 4.61 - 13.08 +50.55 436.42 414.56 478.65
69 Property (30) 521.31 +2.1 10.84 8.54 12.25 22.28 510.38 515.70 496.46 94.96
70 Other Financial (14)
71 Investment Trusts (70)
33 MET-SHIRE MADE 1933/A HILLIAM STEAMED 1910
index Day's Day's Sep Sep Sep Sep Sep Sep Year No Change High(a) Low(b) 21 18 17 16 15 aep
[[10], [42], [10], [42]
FT-SE 190 SHARE INDEXA

	FIXED INTEREST					AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 22	Mon Sep 21	Year ago (aporox.)		
PRIC	E CES	Tue Sep 22	Day's change %	Mon Sep 21	Accrued Interest	xd adj. 1992 to date	1 2 2		5 years 15 years	8.07 8.79 9.00	8.26 8.78 8.94	8.62 9.30
1 Up to 2 5-1: 3 Over : 4 irred	th Government 5 years (22), i years (25), 15 years (8), emables (6)	124.78 138.31 144.30 163.18	+0.68 -0.33 -1.07	124.02 137.37 144.79 164.94 135.30	1,59 1.12 3.08	9.03 10.51 9.97 8.83 10.11	8 9	Medium Coupons (8%-104%) High Coupons	20 years	9.26 9.33 8.98 9.41 9.43 9.43	9.26 9.28 9.23 9.42 9.42 9.32	9.30 9.62 9.44 9.39 9.82 9.53 9.45 9.51
6 Up to 7 Over	cocks (61) -Linked 5 years (2) 5 years (10) cocks (12)	174.79 153.02	+0.96 +3.40	173.14 148.00 150.27		3.25 3.64 3.56	12 13 14	Inflation rate 10 inflation rate 10	Over5yrs. % Up to 5 yrs	3.73 4.33 2.93 4.14	4.02 4.56 3.21 4.37	3.90 4 23 3.27 4.05
9 Detr	L Laure (62)	117.53	-0.45	118.06	2.00	9,04		Debs & Lazas	5 years 15 years 25 years	10.20 10.54 10.56	10.33 10.49 10.49	11,12 10,92 10,76

Appening lodes 2545.7; 9 am 2557.7; 10 am 2567.7; 11 am 2568.1; Noon 2578.7; 1 pm 2585.7; 2 pm 2596.8; 2.30 pm 2595.3; 3 pm 2588.1; 4.10 pm 2586.4; (2) 1.54 pm (b) 8.32 pm 1 Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Published. The Financial Times, and products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1.9HL. The HSBC dividend is not subject to Advance Corporation Tax at 25%.

LONDON SHARE SERVICE							
BRITISH FUNDS	BRITISH FUND		BRITISH FUNDS - Cont				
+or 1992	Yield	+ or 1992 Yield	+or 1992 Yield Notes Price E • bigh low Int. Red				
Notes Price € - bigb low	Int. Red. Common SOL on 1995						
"Shorts" (Lives up to Five Years)	Conversion 1014 pc 1999.	1052 +1월 1962 100월 952 8일 100월 +1월 190월 94월 882 883	(L) (D) (D)				
Treats 6 4 pc; 1993 9913 9933 9732	8.26 8.10 Treas 13pc 2000	119월 41월 121일 114월 10,84 938	. Treas 200 94(102.9)				
10pc 1993++ 19033-d + 19935 994-	9.90 8.20 10pc 2001	105 2 +11 1064 99 3 \$.47 9.00	. 20C 96(67.9) 14512 +122 186 178.5 3.76 3				
12½ pc 1993st	12.89 8.01 14pc 98-01	12014 +12 121 11543 11.50 921	4% pc 36(136.3) Tel: 41; Tel: 15#; 3.88 4.;				
Funding 50c 1993# 95 % + % 96 % 95 %		10412 +12 10514 9814 9.33 9.01	5.6bc n1************************************				
Trees 13 4 pc 1993## 1064 + 1 1063 1034	12.96 8.07 10pc 2003	10574 +45 107.2 100 1. 9.44 9.10					
812 pc 1994 10013 +13 10013 9614	8.47 811 Treas 11 Jpc 2001-04.	112 編章 41 4 113 113 107 4 18 924	212 pc 109(78.8) 1331 +4 1 134 124 2 4.18 4.1				
1412pc 1994## 18814 +}} 10914 104}}	13,39 8.29 Funding 3 12 pc '99-04	67年 +2 882 595 5.17 766	212pc 11 (74.6) 15712 +45 13812 129 4 4.19 4.1				
Exch 1312 oc 1994 1874 of +1 1874 10313							
Treas 10pc Ln. 1994# 1027 +31 1027 983		101 1 -4 104 1 96 1 9.82 9.16					
Exch 1212 oc 1994 1871 +5 1871 1032	11,64 824 Treas 12 12 Pc 2003-05.	12113 +1, 1241, 118,5 18.38 9.30) 2½pc 20(839) 116½pt +4½ 117½ 107% 4.12 42 ; 2½pc 24st (97.7) 87½ +4.2 97½ 88% 4.85 4.1				
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12pc 1995 107\3 +\2 107\2 102\3	11.17 8.37 Treas 11 4 pc 2003-07.	115]] +]] 118]] 110]] 10.15 9.30 94 +4 9737 88]] 9.84 9.23	Description and address for the or applicated inflation of the				
Exch 3pc 6as 90-95 9112 9412 884	3.28 6.37 Treas 81 ₂ pc 2007 ##		' 10% and (2) 5% (b) Figures in parentheses show RPI base fo				
10 kpc 1995 18412 + 1 18412 99 1	9.81 839 131 ₂ pc 74-08.	1294 +3 132 2 123 5 10.47 9.31	INDEXING, WE O INDIVIDUAL MICE OF 13985, SING HOTE OCCURANCE I				
Treas 12 % pc 1995## 111% +6 111% 106%	11.42 8.47		reflect rebasing of RPI to 100 in January 1987 Conversion facts 3.945. RPI for February 1992: 136.3 and for August 1992				
14pc 1996 114½ + 114½ 109}}	1221 879 Over Fifteen Years		139 0				
900 1992-98# 1815 +5 1815 96 &	8.85 8.44 Spc 2008 ##	883d +4 1824 934 9.17 9.21					
15 kpc 1996# 119 # +12 119 13 13 13	12.76 8 80 8pc 2009	89년째 수급 93년 85월 894 921					
Enth 134 pc 1996:: 1134 +45 1134 106	11,67 6.79 Comv 9pc Ln 2011 ##	97.1 -3 18233 9333 926 926 97.1 -10 183.4 9313 926 928					
Conversion 10mc 1996_ 104 4 +7 184 4 9833	9.56 8.57 Pres 2012	974 -13 1834 9311 926 928 974 -13 1834 954 926 929	TUT 1982 1930				
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	Trees 8 % pc 2017	9415 -12 101 A 9312 8.94 9.30	ireland Cap 8 Հրգ՝10 98 99 Հլ 88 հ. 8.67				
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9 to 1998 1944 +1 & 1844 97 to			Leeds 1312 pc 2006 121 \ -4 125 116 \ 11.13 104				
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Established in A	Amsieroam	MURRAY UNIVERSA	ILSICAVI INVESTMENTS PLC				
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	1 th - 6.4	Registered Office: Aldringen, Luxen	' I II PON million Cubordinated I				
HEREBY GIVES NOTICE that it has received Listed Companies Disclosure Act:	rue joilownis menterdost nacci	RC: Luxembourg B					

Royal Exchange Rosal Circep N.V Rokin 52 - 96 1012 KZ An Rosal Group N.V. ⊶ 33.07% . The name given in the notification in the Financial Times on 6th March 1992 was mistakenly quoted as Guardian Royal Exchange. The name should read Royal Exchange Assus ** Latest position Flannes House louthgate Street Winchester

KC: Laxenbourg B No 8621
DIVIDEND ANNOUNCEMENT The Board of Directors has an pay a dividend to the shareholdens of the Pacific Portfolio sub-fund of USD 0,01733 USD per share o shares subscribed and in circul 17.09.92, ex-dividend date 18.09.92, navable on or after 28.09.92 against atation of coupon No 4.

cheque or transfer while holders of carer shares can eash the dividend BANQUE GENERALE DU LUXEMBOURG S.A.

The Board of Directs

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 21st September, 1992 to 22nd March, 1993 the Notes will carry interest at the rate of 10.5 per cent

Due 2000

Interest payable on 22nd March, 1993 will amount to £5,235.62 on each £100,000 Note.

oer annum.

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Hards \$523 9E)

GLOBAL GOVERNMENT PLUS FUND LIMITED International Depositary Receipts
representing 160 common shares
to shankeless that the Board of Diseases of GLOBAL GOVERNMENT Notice is besoby given to the absorbedders that the Board of Directors of GLOBAL GOVERNMENT PLUS FUND LTD has declared a quartedly dividual of USS 0.100 per about payable over the text quester on a monthly basis in October, November and December 1992.

The monthly dividend reflecting the quarterly declaration will be USS 0.035 per share to October 30, 1992 to shareholders of record at October 15, 1992, on November 1 shareholders of record at November 31, 1992 to shareholders of pecual at November 16, 1992 and on December 31, 1992 to shareholders of pecual at November 16, 1992 and on December 31, 1992 to shareholders Coupen numbers 51 to 53 of the international Depositury Receipts will therefore be payable in USS on the following dates and at the rates indicated below, not of the depositury's fine at the following offices of Morgan Cananay Trust Computey of New York:

Brussels, 35, Avenue des Arts London, 60, Victoris Embaskme Panklist, 44.46 Mainer Landstra Sha

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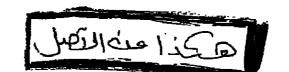
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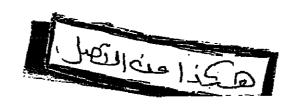
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FT MANAGED FUNDS SERVICE * Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

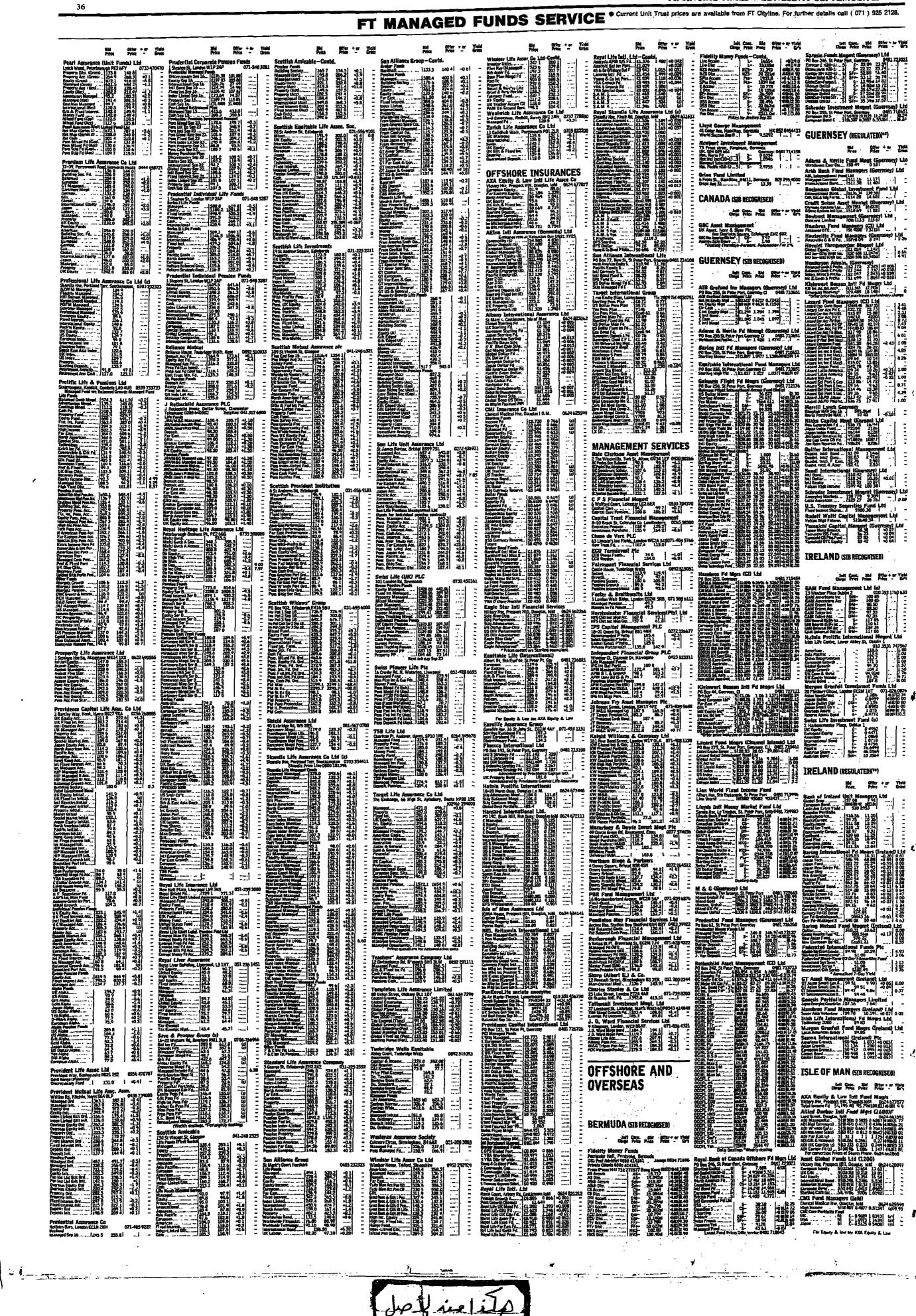
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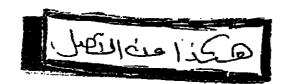




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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

New levels of strain in ERM

THE STRAINS inside the European exchange rate mechanism heightened to new levels yesterday as the stronger D-Mark pushed five ERM currencies close to their floors against the German currency.

writes James Blitz.
The Bank of France intervened heavily to support the franc when it was one centime above its ERM floor, while the Spanish, Portuguese and Irish central banks all came into the market to buy their currencies as they slipped towards their respective floors against the D-Mark. The Dutch central bank bought the Irish punt and the Danish krone for Dutch guilders, the second strongest currency in the ERM grid.

In a rumour-ridden market, French and German financial officials were forced to declare publicly that there would be no EMS realignment, but there were strong rumours in the French market that a 3 per cent devaluation of the French franc against the D-Mark was imminent.

The latest stage in the ERM crisis was triggered by a poor figure for M3 money supply in Germany, which rose to 9 per cent on an annualised basis, from 8.5 per cent in July. The rise in the figure underlined

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Spot. 1 mouth 3 mouths	1.6945 - 1 6955 0 90 - 0 87pm 2.42 - 2.37pm	1.7075-1.7085 1.00-0.90pm 2.62-2.52pm

1 morth 3 morths	87pm 1 37pm 2 70pm 8	
8.30 am 9.00 am 10.00 am 11.00 am	 Sq.22 84 0 84.3 83.7 83.4 83.4	84.0 83.8 83.5 83.5 83.7
1.00 pm 2.00 pm 3.00 pm 4.00 pm	 83.1 83.1 83.3	83.9 83.6 83.6

CURRENCY	MOVE	MENTS
Sep 22	Bank of England Index	Morgan ^{es} Gearanty Changes %
Sterling U.S Doilar Canadisa Dollar Austran Schälling Eriglan Franc Danish Krone D-Mark Seranc Dutch Collider Franc Liza Yen Peseta	803 647 941 9414 9415 9415 944 943	-27.5 -16.7 -16.9 +16.9 +10.3 +23.1 +23.1 -26.7 -8.8 -23.7 -23.7
Morgao Guara	nty change	s: average

1980-1982 = 100 Bank of Expland Index (Bas Antrage 1985 = 100 **Rates are for Sec 21

Sep 22		Special " Strawing Sights	European † Corrency Unit
Sterling U.S. Dollar Canadian S Anstrian Sch Beiglan Franc Donish Kree D-Mark Orich Guilter French Franc Rallan Lira Lallans Ven Revecy Kree Spanish Praca Sundish Kree Spanish Praca	3.00 5.34 8.05 9.32 8.05 9.32 8.05 15.00 3.25 15.00 3.25	0.834627 1.42763 1.73736 14.9744 43.7676 8.25894 2.12631 2.39028 7.25807 NA 176.003 8.60647 149.496 7.96118	0.781359 1.34214 1.65620 13.8855 40.7105 7.69852 1.97429 2.2225 6.75164 1664.32 162.761 8.00930 7.41332
Suriss Franc Greek Drach Irrsh Punt	6.50 19	1 87591 NJA NJA	1 73203 250 336 0 753504
a Back rate ret These are not on a European Cont and SDR rates	noted by t unission (he UK, Spals Laterlations	

OTHER CURRENCIES

not come down easily and that further intervention by the Bundesbank to support ERM currencies, which has already run to DM60bn in recent weeks, is unlikely. The Bank of France's pur-

chase of francs was not on the scale of the UK's buying of sterling a week ago today, but there were widespread suggestions that France has spent around half of its \$31bn of foreign currency reserves in recent days. In London trading the franc finished at FFr3.4260 to the D-Mark, against a previous FFr3.4150.

The weaker currencies in the system slumped even more sharply. The Spanish peseta closed at Pta71.91 per D-Mark, compared to its ERM floor of Pta72.62. The Irish punt was at DM2.6205, against a floor of DM2.6190. The Portuguese escudo dropped to lows beyond

that German interest rates will Esca9 to the D-Mark, against a floor of Esc92.33. Mr Gerard Lyons, chief econ-

omist of DKB International in London, said yesterday's events made a near-term realignment very likely, with the D-Mark revaluing against all currencies, and the French franc saving face by appreciat-ing against all the weaker ones. But the French central bank may feel that if it surrenders its franc fort policy against the D-Mark, it may take years to recover credibility. The alternative would be

to raise interest rates. The chaos in Europe's mone tary system had ripple effects across the globe yesterday. The yen rallied strongly against the dollar, closing at Y121.15 from a previous Y123.70. Japanese investors were reported to be repatriating their investments before the first half of Japan's fiscal year ends this month.

EMS EUROPEAN CURRENCY UNIT RATES								
	Ecu Central Rates	Currency Amounts Against Ecu Sep 22	°o Change from Cestral Rate	" Spread vs Westest Currency	O Nergence Indicator			
luch Gelider eiglas Franc Halari Halari ortuguse Eccudo renda Franc lanish Krone righ Punt padish Peseta	2.29193 41.9547 2.03412 176.844 6.8221 7.75901 0.759300 139.176	2.22366 40.7105 1.97429 174.411 6.75164 7.67852 0.753504 140.389	-2-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	395 395 393 228 193 1.66 1.65	SGS			

Eta central rates set by the European Commission. Correnctes are in descending relative strength. Percentage of	hate
are for Ecu, a positive change denotes a weak common. Divergence shows the natio between two sprea	ds, ti
percentage difference between the actual market and Eco central rates for a currency, and the maximum pe	with
ocromotage deviation of the currency's market rate from its Eco course rate, (17/9) Sterling and Italian this proposed from ERM. Adoptioned calculated by Financial Thoms.	
errial Situadi ann imum Pull Moltonia lidal cuiti ambolinial rausumai bi Lutinias luner	

Sep 22	Day's spread	Close	One mosta	82	Tirree . months	bs.
S	220.50 - 227 20 178.20 - 183.15 2128.00 - 2158.00 10.2180 - 10.3720	1.7085 - 1.7095 2.0980 - 2.9000 2.8000 - 2.9000 52.600 - 52.70 9.9125 - 9.9225 2.9425 - 2.5425 2.9425 - 2.5425 2.9425 - 2.5425 2.9425 - 2.9425 2.9425 - 2.9425	4%-6% oralls 1%-2% cals	547514851888574445451868	2.42-2.37pm 1.77-1.72pm 3-76s 1.4-1.pm 1.75-1.00pm 290-4.25s 242-2.61s 242-2.61s 242-2.61s 212-2.62s 212-2.7-1.11s 1.9-1.11s 1	5.6 3.5 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3

Sep 22	Day's spread	Close	One month	p.a.	Three months	P.
Kr	30.25 - 30.85 5 7300 - 5.8050 1.4670 - 1.4945 128.50 - 1.32.85 104.10 - 106.70 1237.00 - 1256.00 5 9500 - 6 0230 5 9500 - 5.1055	6 0175 - 6 0225 5 1000 - 5 1050	0.92-0.89cpm 2.30-1.69cpm 0.14-0.17cds 884-0.89cds 16.00-17.00cds 3.80-3.90crds 3.00-500cds 3.00-500cds 3.00-50crds 3.35-3.40cds 13.00-16.00crds 0.10-0.11yds 4.65-5.35cpds 0.41-0.44cds 0.41-0.44cds 1.00-16.00cm	55 51 51 51 51 51 51 51 51 51 51 51 51 5	242-2.7pm 5.7x4-20pm 0.574-25ds 2.90-246ds 50.048.00s 50.048.00s 21.7-2.140b 22.7-26ds 42.0-48.00s 17.0-20.00s 42.0-48.00s 17.0-20.00s 42.0-48.00s 17.0-20.00s 17.0-20.00s 17.1-12.46s 12.1-12.46s 12.1-12.46s 2.55-2.55e	510

Sep 22	Short	7 Days	Manch	Titree	Siz	One
	term	netice	One	Months	Montes	Year
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			EXC	HA	NGE	CR	<u> </u>	RAT	ES			
Sep.22	£	5	au	Yes	F Fr.	S Fr.	N FI.	비미	C \$	8 Fr.	Pu	Εα
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	0.585	_!_	1,489	121 L	5 10S	1.302	1671	1246	1.228	30 84	107.1	0.70
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FFt.	1.147	1 960	2919	237.4	10	2.552	3.274	2442	2.407	ю И	2099	15
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KFL.	0.350	0.599	0 891	72 50	3.054	0 779	. 1	745 7	0.735	1846	64 10	0.4
Ura	0 470	0 803	1 195	97 23	4 096	1.045	1 341	1000.	6 386	24 75	85 %	0.6.
	Ø 476	8 814	<u>L 212</u>	98 &Z	4 254	1 060	1.368	1014	1	25 11	87 1B	8.6
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10% - 9%					
15 t 14 t	THREE LUBA 1,	1917H EQU 2009 paints	LURA BYT. of 190%	RATE	
31, -31, 101, -101, 24, -24, 14 - 13	Dec Mar Jun Sep	210st 86 73 87 40 87 60 87 69	High 85.60 87.50	Low 86.00 87.10	Pres 86.23 87.12 87.51 87.66
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	FT-SE)	NO (1992X ° Noti balex pe	4		
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183.0 1.308		d solome 1.19	772 (1452)	ט	

jan Mar	2668 V	2663.0	2663.0	2639.
Estimated Previous d	egiame 11º g/s open in	972 (1452) R. 44563 (U 43846)	
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DAILWI	. na			

Close High Low 92.90 92.90 92.15 93.55 93.14 93.14

High 91.95 92.28 92.34 92.25 91.99 91.75

High Core 96.79 96.72 96.70 96.65 96.34 96.34 95.95 95.95

Estimated volume 12150 (11854) Previous day's open lat. 25669 (26811)

96.75 96.65 96.34 95.95

Est. Vol. Cinc. Figs. not shown) 1567 (1234) Previous day's open lat. 22734 (23002)

d volume 104359 (8510) day's core int. 323445 (

Previous day's open int. 9554 (9173)

THREE MONTH EURO SWISS FRANC SFR Im points of 190%

Dec 93.29 93.60 Mar 93.58 93.60 93.40 Jan 93.71 93.70 93.55 Sep 93.62 93.65 93.70 Estimated volume 11630 (7924) Previous day's open lat. 25617 (26468)

High 91.66 92.04 92.29 92.47 92.67 92.77

90.03 90.48 90.85 91.11

POUND	- DOLL	AR		
FT FMED		ERATES		
Spot 1.7090	1-mth. 1 7000	3-mth.	6-mth.	12-mth

MONEY MARKETS

Rates cut to 9%

SHORT sterling futures rallied sharply yesterday after the Bank of England signalled a base rate cut to 9 per cent, with futures dealers pricing in another percentage point reduction before the end of the year.

Rates in the sterling cash market also softened, with three-month money ending at 9% per cent on the offered side from a previous close of 9½ per cent. Period rates traced a sharp, downward-sloping yield curve, with one-year money finishing at 8% per cent on the

A cut in UK base rates had

UK clearing bank base lending rate 9 per cent from September 22, 1992

been expected after the UK's departure from the ERM last week, and the cash market had priced in '4 percentage point reduction on Monday night.

However, traders were divided over whether yesterday's cut would soon be followed by more. Some paid heed to the comment from Mr Norman Lamont, the UK chancellor, that being outside the ERM was "not a free lunch", and that there was still a battle against inflation to be fought. Others believed that interest rate of 9 per cent for another cut could come before seven days.

the Conservative party conference.

The rally in futures was partly driven by pressures on the French franc inside the ERM for the fourth trading day. Some traders believe that if the franc comes under further pressure, the Bundesbank may be forced to lower rates at its council meeting on Thursday week.
However, there was an
unsettling note from Germany,
where the Bundesbank
announced that M3 money supply growth in August, its guiding light on interest policy, had risen sharply to 9 per cent.

The December short sterling contract reflected these various trends, opening at 91.57 but dropping to 91.45 on the back of the M3 figure. It later rallied to close at 91.86 which, strictly speaking, assumes that 3-month money by the year's end will be at \$.14 per cent.

The Bank announced that there would be an £800m shortage and that discount houses wishing to use their borrowing facilities were invited to do so at a 9 per cent interest rate.

The Bank bought £540m of

FT LONDON INTERBANK FIXING (11.00 a.m. Sep.22) 3 months US dollars é mostirs US Dollars offe 31 bld 34,

rest one-sixteenth, of the bid and offered rates for \$10m each working day. The banks are Nazional Westminster

	N	IONE	RAT	ES		
NEW YORK			Treasury	Bills and	Bonds	•
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Frankfort Parit Parit Zerich Austerdam Tokyo Millan Brossels Ocerlin Domina	8 90 9.05 103-11 7-74 9 06-9.18 44-46 187	9 15-925 104-114 69-73 892-902 43,43 21-224 93-93 15-14	9.15.9.25 23.5-12.5	9 15-9 25 11-1-11 612-7-1 8.84-8-94 1711-18-1 94-9-3 13-12	9 05-9 20 - - 12 1 ₇ -11 1 ₂	9.50 9.60
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Sep 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
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U Linked Dep. Offer .	ı - 1	- 1	117	114	ŭ, [10%
ij Linked Dep. Bid	1	-	114	10%	10%	10,

Band I bank bills at 8% per cent. and £2m of Band 2 bank bills at 8% per cent. and £2m of Band 2 bank bills at 8% per cent. In the sterior, it lent £270m at an interest rate of 9 per cent for seven days. 1992 Agreed rates for period Sqs. 23, 1992 to October 25, 1992, Scheme 1: 11, 36 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 111. 11.06 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 111. 11.06 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 111. 11.06 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 11. 11.06 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 11. 11.06 p.c. for period August 1: 1992 to August 28, 1992, Scheme 1: 4 11. 11.06 p.c. for period August 1: 1992 to October 25, 1992, Scheme 1: 11. 1992 to October 25, 1992, Scheme 1: 11. 1992 to August 28, 1992 control August 28, 1992 to October 25, 1992, Scheme 1: 11. 1992 to August 28, 1992 to October 25, 1992 to Oct

LFFE	MG GR.T I	UTURES (TURE	LIFFE U	TREASURY	BOND FU				UND FUTURE			
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	ON (LI				CHIC									
9% MOT 250,600	MAL BAT 3256 of 1	00%	_		51.00,000	ASURY BON 32pmk of 14	15 (CBT) (10%	%		JAPANE Y12.5m	E YEN (UM S ptr Y150	_		
Previous	Close 97-25 97-29 d volume 44 day's open	lat. 64308	96-27 280	Prev. 97-19 97-24	Dec Mar Jun Sep Dec	104-01 103-01 101-2- 100-14 99-14	105-12 104-03 102-08 100-30	102-26 101-21	105-10 104-02 102-26 101-20	Dec Mar Jon	0.824 0.824 0.824	0.826	0 8200	0.80
	SURY BOIG 32mb of	100%	- 1		Mar Joo Seo	98-16 97-19 96-25	ì	•	100-16 99-15 98-17	BEUTSCH MATES O	E NAIK (D) 90 \$ per BN	(M)		
Previous	Close 104-15 103-06 é volume 33 day's open i	Ist. 1966 (11,765)	Pres 105-05 104-00	Dec Mar U.S. TRE	96-02 ASURY BILL Is of 100%	\$ 0000AD		97-22 %-30	Dec Mar Jun Sep	Cles 0.6622 0.6538	111g	0.6600 0.6515	
	TOMAL GER Of LANGE Close	/ ISC%		Pier.	Dec Mar	Close 97.11 97.01	97.13	97 08 96 97	Pres. 97.15 97.07	THRÉE-N	ONTIK EURO	OI LAR (I	MAO .	
Dec Mar	90.86 90.96	High 91.00 90.95	10W 90.33 90.55	90.66 90.74	Jim Sep	%.73 %.40	96 77	%.73	96.80 % 46		5 el 180% Clos			Pi
	i sokurse 97 day's open i			ı		POLINO CUITA	0			Dec Mar Jus	96.77 96.68 96.35	96.61	96.63	%. %. %.
	1054AL LONI 05-n 1909b			SOYT.	S per £	Close	High	Law	Pres.	Sep Dec	95.97 95.39	%.00 95.42	95.90 95.35	96 95
Dec Mar	Close 206.07 105.62	High 106.15	(.me).05.87	'	Dec Mar Jos	1.6772 1.6570 1.6390	1.6770	1.6764 1.6580 1.6380	1 6640 1 6632 1 6436	<i>Mar</i> Jun Sep	95 08 94.64 94.28	95.11 94.67	95.04 94.00 94.25	95. 94.
Estimates Traced es	rolone 12 closinely on	45 (484) APT			SWISS FI	ANC Mens				STANDAR S500 time	9 & 20025 . Is index	SOR TADE	K	
9% 1681	DILAL SCU	BOND				00 S per SF	r	•			Close	High	Low	Pn

Strike Prior 1.650 1.700 1.700 1.750 1.750 Mar 7,30 5,91 4,74 3,75 2,94 2,32 1,77 0ct 4.50 3.08 1.86 1.14 0.69 0.36

7 to 19 YEAR		L FRENCH 19			
	. Open	Sett price	Change	High	
September	107.66	108 64	+0 68	108.68	107.52
December	108 04	109.06	+0.72	109 06	107.90
March	108.40	109,32	+0 66	109.30	109.24
Estimated robu	me 291,908 r	Total Open lete	res. 206.776		_
HREE-MONTH	PIBOR FUTU	RES CHATTET O	Paris interbad	effered rate)	
Оеселя)ег	90.58	90 80	+013	90.85	90.48
d _{arch}	91.04	91,28	+0.17	91.30	90.92
lune	91.34	9L51	+0.14	91.52	91.20
iquie vive	91.43	91.65	+0.17	91.65	91,40
stimated volu	ne 49,846 t T	otal Open Inter	es 60.739		
AC-40 FUTUI	ES DUATOR S	tock Index			
ेक्स समित -	1833 0	1861 0	+20 0	1875 0	1827.0
October	1848.0	1877 C	+20.0	1887.0	1843.0
	1379.0	1907 6	+20.0	1910.0	1879.0

103.84 104.50 9.45 9.38 OPTION ON LONG-TERM FRENCH SOND GLATTE Paris March 0.61 0.29 0:51 0.77 1.10 1.20 - 1.14 - 1.10 1.10 0.73 1.14 - 1.10 0.73 1.14 20 Estimated volume: 85.010 | Total Open Interest 660.332 7 All Yield & Open Interest Figures are for the previous day. 1.82 54,293

E	A	SE LENDING	R	ATE
	*		%	
Adam & Company	10	Ciedit Lyganais	9	McD
Atlied Trest Sank	10	Crons Pooder Sk	9	Midk
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• Heary Ansbacker	ġ	Dancas Laurie	10	NatV
B & C Merchant Bank	13	Equatorial Bask pic	9	Norti
Bank of Baroda	9	Exeter Bank Limited	10.5	Rylan
Bassoo Bilbao Viccaya	10	Flaancial & Gen. Bank	10	Proper
Bank of Cypras	9	8 Robert Flessing & Co	9	O Resi B
Bank of Ireland	10	Robert Fraser & Pturs	95	Rode
Bank of India	9	Girokask	ġ	Roya
Baset of Scotland	g	♦ Galeness Mator	10	e Smit
Banque Belge Ltd	ġ	Habib Bank AG Zorich	ģ	Stand
Bardays Bank	ġ	Hassiands Bank	ġ	TSB.
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Posteode:	Pressee: 06-908343
	Switzerland: 046-068338
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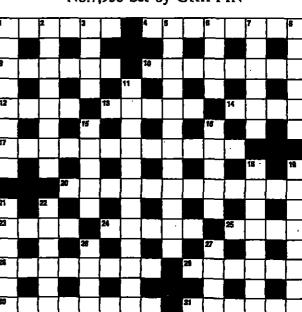
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JOTTER PAD

CROSSWORD No.7,958 Set by GRIFFIN



ACROSS

1 Swimming in sea, grand for relaxing (6) 4 A whale turned on crazy circus performers (8)
9 Thin lines on showy jewellery

precincts (5)

14 For many years a prison (4)

17 Singers transposing a single thing (12)
20 Against optician's dreadful 20 Against optician's dreadful expectation (12)
23 Frank made love to writer (4)
24 Irishman admits using make up (5)
26 Men flying round Eastbourne front raised alarm (4)
27 Ponder about American grif-

make-up (5)
25 First mountaineering expert goes round peak (4)
28 Shot home with report (8)
29 Tear head off pet bird (6)
30 Lofty wants you and I to call

31 Man ordered tray of cordial

1 Poor grade fuel floating in hospital waste (3)
2 Where Father Christmas takes one shot (8) 3 Man against standing rule (4) 5 Undergarment lockers? (12) 6 Look up "gunners" during

test (4) 7 Missing ashtray not hard to find (6)

soaked (6) 11 Name topic in a broadcast for

11 Name which is a constant of the freedom (12)
15 Overcharged for bananes up by Gateshead (5)
16 Made about fifty for decora-(6)
10 Gave one million, split up (8)
12 Can you say "backing group"?
18round something many

(4) people read (8)

13 Doctor with a thing about precincts (5)

14 For many years a prison (4)

15 Singers transposing a single (6)

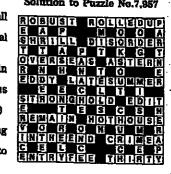
16 Total with a single many people read (8)

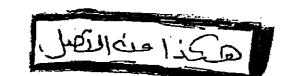
19 How people in a marquee pay attention? (8)

21 Dety doctor, taking a bed outside (6) side (6)
22 Man tripped going to town

Solution to Puzzle No.7,957

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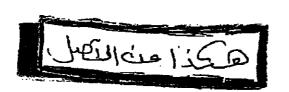
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FINANCIAL TIMES WEDNESDAY SEPTEMBER 23 1992 WORLD STOCK MARKETS Corp Corps + ar - September 22 Frs. + ar -CANADA Septambar ZZ Sch Austrian Airlines 2.032 Creditanstait Pf ... 430 EA General 2.770 EV 8.33 Jungbunziaeer 16,000 DeNy ... 757 Perlimbuser Zestent 1,200 Rate Heraldith ... 468 Refelinghass Brag 1,020 Story Osimites Brag 1,020 Verbund (Bri A 37 Verbund (Bri A 37 Verbund (Bri A 37 Verbund (Bri A 300 V +16 +2.40 +29 +36 -19.20 -24.40 +1 -4 -3 TORONTO 28800 Mackenzie SSI₂ SI₃ SI₃ 85300 Macm Bi S18I₃ 18I₄ 18I₄ 45500 Mapha inth S31I₄ 31I₄ 31I₄ 9100 Med IST 1 S2II₂ 21I₄ 21I₄ 10300 Mark Ree SSI₂ SI₃ SI₃ 6800 Medali Min S13I₄ 13I₂ 13I₄ 1500 Medali Min S13I₄ 13I₄ 13I₄ 15I₅ 1500 Medali Min S13I₄ 13I₄ 13I₄ 15I₅ 15I 22 22 45% 5% 410 10% 6% 6% 6% 6% 42% 42% 330 335 95 L \$10 L \$6 L \$6 L \$6 L \$6 L \$6 L Horien IKD Deutsche Ind IKD Deutsche Ind IKD Deutsche Ind IKD Deutsche Ind IKD Linder Werke Kall & Salz Kauthof Kantad Kanthof Kingkiner Werke Lainteger Laiftener Lainteger Lainteger Lainteger Lainteger Lainteger Lainteger Man Manner Man Manner Man Manner Man Manner Med Metzedds Hild Metaligesel ischaft Metaligese BELGIUM/LUXEMBOURG BELETUM/LUXEMBOURG Sestember 22 Fr. 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Tosi Franco ... -0.50 3,10 3.15 3.04 3.12 Sep 18 263 27,77 2.63 27.52 273 21.15 NEW YORK ACTIVE STOCKS TRADING ACTIVITY 998.32 587.99 567.54 567.13 -0.75 † Volume - 54 - 14 - 25 - 5 - 24 - 24 - 4 + 15 - 4 186 990 153,900 236,080 12,302 10,437 13,156 (a) 159 458 199,417 New York SE Agres NASDAQ NORWAY Islo SE OMB (2/1/83) PHRIPPINES Manta Comp (2/1/85) SINGAPORE +0.40 +0.20 -0.50 -1.60 SES All-Support (2/4/75) SOUTH AFRICA JSE Gold (28/9/78) JSE Industrial (28/9/78) 358.64 360.33 360.79 362.85 Yen + or - Saptanther 22 Yen + or - Saptanther 22 Yen + or - September 22 CANADA TORONTO 2900.21 2934.56 2947.65 2956.21 3238.87 (1.6/1) 3402.80 3420.00 3444.95 3446.05 3666.00 (1.6/1) 1766.68 1775.37 1792.26 1787 % 1937.59 (16/1) 1727 04 (8/4) Race values of all Indices are 100 except MYSE All Common – 50; Standard and Poor's – 10; and Toromo Composite and Metals – 1000 Toromto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. to Closed. (u) Vinavallable, e. The JJ India index theoretical day's highs and lones are the sergage of the highest and lowest prices reached dering the day by each stock; whereas the actual day's highs and lows complied to Telekovich represent the highest and invest values that the index has reached during the services of the property of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows -13 +++11 ++10 +20 +10 TOKYO - Most Active Stocks (Excuse us for asking) IS THIS YOUR OWN **COPY OF THE** FINANCIAL TIMES? -0.01 -0.06 -0.02 -0.02 -0.02 Or do you rely on seeing someone else's? The FT is read by four times as many senior European businessmen and women as any other international newspaper.* Make sure you're one of them by getting your own copy daily. OUR SPECIAL INTRODUCTORY SUBSCRIPTION OFFER IS AVAILABLE NOW! For more details please call Gillian Hart in Frankfurt on 49 69 156850. FINANCIALTIMES

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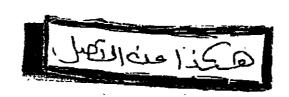
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FT SURVEYS

FINANCIAL TIMES



NASDAQ NATIONAL MARKET NYSE COMPOSITE PRICES ### Continued from previous pages. **Continued from pages. **Continued from previous pages. **Continued from previous pages. **Continued from previous pages. **Continued from pages. **Continu 4 pm close Soptember 2: 1962 Yes Stock 76, Pf Sto 1865 Low Stock 76, % E 1965 High Low Continued from previous page | Section 2.5 | Total 2.5 | To **AMEX COMPOSITE PRICES** Stock Dr. E. 100s High Low-Close Ching Stock Dr. E. 100s High Low-Close Chang Stock Dr. E. 100s Pf Sis | Law Close Chig | 0.80 21 | 5 | 1175 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 | 1715 2 2100 12 0.40 34 2100 103 0.32 44 97 34 12 125 84 73 26 267 427 3 0.40 14 185 57 0 51 151 7 160 53 15 10 10 7 27 4 5 1 5 5 1 ½ 10 % 34 7 ½ 27 년 5 % 5 % +& 7 190 5% 3 50 1½ 0.20 5 40 1½ 33 78 10 88 30 18½ 53 213 15½ 0 2 2½ 0 792 ½ 0 2 2½ 0 192 8 18 18½ 1.12 18 27 12½ 0.10 9 66 21½ 14% 14% 2½ 2½ ½ ½ ½ 6% 6½ 19% 19% 12% 12% 21% 21% 21% 21% 21% INFLIGHT INFORMATION FROM BERLIN TO BARCELONA. 1 picase call Anthony G. Hayes Tel: 021-454 0922 Fax: 021-455 0869 Because the leading airlines fly to the business centres of the world, they carry George House, George Road, Edgbaston, Europe's business newspaper. So wherever your business takes you, the Financial Times will keep you informed, in flight. Any problems call the FT Copyline on 49 69 15685150. Birmingham B15 1PG

AMERICA

UK interest rate move

Wall Street

A SHARP decline in bond prices, lower car shares and a wave of computer sell programs sent US stock prices tumbling across the board yes-terday, writes Patrick Harrerson in New York.

At the close the Dow Jones Industrial Average was down 39.98 at 3,280.85, its low for the day. The more broadly based Standard & Poor's 500 retreated 5 full points to 417.14, while the American SE composite dipped 1.73 to 380.99 and the Nasdaq composite fell 5.58 to 583.00. Turnover on the New York SE came to 189m shares.

Although news of a cut in UK interest rates provided the basis for a firm opening to trading - analysts have argued that lower European interest rates will spur growth in the US - a sharp fall in US bond prices more than offset the positive effect of the UK

rates move Long-dated Treasuries fell by more than a point, pushing yields back up towards 7.5 per cent, in reaction to the unexpectedly steep 10.4 per cent rise in August housing starts, calls from the International Monetary Fund meeting in Washington DC for the US to lift its

ery picks up, and stronger than expected department and chain store sales

Equities were also troubled by computer sell programs, which exacerbated weakness in a market already unsettled by a big decline in car shares.

The fall in the motor sector was prompted by securities house Wertheim Schroder, which reduced its 1992 estimates for Ford (from \$2.55 earnings a share to \$1.45) and General Motors (from a 45 cents a share profit to a 30 cents a share loss), and lowered its rating for Chrysler from a "buy" to a "hold". The Wertheim analyst

explained his moves by saying that Ford was troubled by weak car sales in Europe esne cially in the UK, that GM was losing market share in a sluggish US environment, and that Chrysler's shares were due for a revision in the wake of the stock's recent run-up.

Ford finished \$2% down at \$40%, GM \$1% cheaper at \$33 and Chrysler off \$1/2 at \$23%, all after heavy trading. Fingerhut dropped \$31/2 to \$27 after warning that third-

quarter earnings would come in below analysts' expectations of between 39 and 42 cents a share.

General Mills slipped \$1% to

house Goldman Sachs had removed the stock from its recommended list after the company reported weak restaurant

On the Nasdaq market, leading stocks were mostly lower in a blue chip sell-off. Borland International receded \$% to \$40 %, Microsoft \$1% to \$77%. Amgen \$1% to \$67% and Sun Microsystems \$1% to \$30%.

Canada

AFTER A downturn in the morning, the Toronto market moved narrowly in the afternoon around the lower levels, faring better than the Wall Street weak performance.

Traders said that in recent days international investors had already grown nervous constitutional deal to keep the country united. The TSE 300 index closed

17.2 lower at 3,402.8 and declines led advances by 348 to 209 after volume of 26.8m. BP Canada withdrew its pro-

posed secondary offering of 5.5m Royal Oak Mines shares, citing last week's explosion at Royal Oak's Clant Mine and the resulting uncertainty surrounding Royal Oak. BP Canada was off C\$\% at C\$15 and Royal Oak lost 4 cents to

Bond price drop offsets Rumours abound as German M3 grows

POLITICAL realities have intervened since the last time the German M3 money supply Open 10.30am 11 am 12 pm 1 pm 2 pm 3 pm close 1044.05 1043.54 1041.12 1039.64 1040.00 1043.95 1046.77 1044.34 figures came out, and a rise from 8.5 to 9 per cent in the August M3 growth rate - conventionally a bad indicator for interest rate prospects - had less of an impact on bourses than might have been expec-

ted, writes Our Markets Staff. In Frankfurt, even after coming off the top, bund futures were actually running 40 basis points higher in mid afternoon, at 90.74 for the December contract, than they did in the

This reflected rumours, subsequently denied, that the ERM might be suspended but there was parallel, and more sustained talk of a Bundesbank rate cut. Mr Werner Wanke, a partner of B Metzler in Frankfurt and a known proponent of a German interest rate cut of two or three percentage points. said that the cut would have to come this month to avoid severe consequences for other

PARIS was assailed in late trading by rumours of impending cuts in French and German a realignment of the ERM. The improvement in sentiment was largely driven by strong futures and bond markets where the speculation, offi-

Day's Low 1039.17

cially denied, was for between a 0.5-1 percentage point cut in the key intervention rate. The CAC-40 index closed 6.75 higher at 1,832.81, off an intraday high of 1,849.19. Turnover was FFr2.7bn.

FT-SE Eurotrack 100 - Sep 22

Hourly changes

Crédit Lyonnais startled the market by reporting a massive drop in first half net. The stateterday. controlled bank also warned that debt provisions would have to remain high for the remaining six months of the year, and its certificates closed down FFr42 at FFr510. This affected Thomson-CSF, which has a 15.5 per cent stake in the bank, and it closed FFr12.00 or 8 per cent lower at FFr135.90. Michelin fell FFr4.70 to FFr199.80 on first half figures

Day's High 1047.82

Sep 18 1070.95

Sep 21 1050.43

downgrades. FRANKFURT incorporated post-bourse losses from Monday and the DAX index showed a stiff budget containing

which disappointed some ana-

lysts and led to a number of

second consecutive day, and

closed at an offered price of

Y188, down from Monday's

offered price of Y268. Five Ito-

man shares will be swapped for

one share in the unlisted Sumi-

kin Bussan, a steel trading

company of the Sumitomo

group which Itoman will merge

Aoki, the construction com-

pany that will become a Nikkei

index component stock on

Thursday, attracted heavy buy-

ing and climbed Y30 to Y580. Seika rose Y14 to Y698 and

Yaskawa Electric gained Y25

at Y535 on expectations that

the stocks will also be picked

Public works-related issues

as index components.

with early next year.

a fall of 23.52, or 1.5 per cent on the day at 1,550.34. Volume crept up from

DM4.6bn to DM5.2bn. "We have a currency market, not an equity market", said one dealer, reckoning that foreign investors who came into German equities as a bet on the D-Mark took their profits yes-The least liquid of the big

carmakers. BMW, fell DM11.50 to DM525.50. Meanwhile the big three chemicals, convenient avenues for international investment, saw unusually big declines with BASF DM5.50 lower at DM209.50, Bayer down DM8.20 to DM268.30 and Hoechst by DM6.50 to DM246.20. MILAN also took in Mon-

day's late losses as the Comit index dropped 10.69, or 2.8 per cent to 369.59. Lira weakness contributed, but dealers said that there were also fears that L93,000bn of spending cuts could end up being modified substantially or could exacerbate political tensions.

ZURICH rose on lower interest rates, the SMI index closing 11.6 higher at 1,900.4 with banks topping the active list. UBS bearers added SFr7 to SFr776, CS Holding put on SFr20 to SFr1.910 and SBC were SF15 firmer at SF1273.

Banks were also lifted by hopes that Swiss voters, in a referendum next Sunday, would approve a revision of the Swiss securities stamp tax. The change is designed to improve Swiss banks' international competitiveness.

AMSTERDAM remained relatively calm. The CBS Tendency index lost 0.5 to 112.5. Elsevier continued its recovery, gaining Fl 3 to Fl 108 while DAF was 20 cents lower at FI 17.390 as the market seemed uninterested in news that it had held cooperation talks with a Japanese truck manufacturer.

MADRID failed to find a refuge from the battering it has ben subjected to in the past week and the general index recorded another fall, down 3.22 to 207.56. Turnover remained strong at some Pts15hn, Utilities remained under pressure with Union Fenosa down Pta28 at Pta437.

ity in Delhaize which saw its shed 5.6 per cent as its US division Food Lion fell to a year's low in New York. The Bel-20 index fell 9.38 to 1.114.50 in turnover of BFr855m.

Delhaize closed down BFr90 at BFri,600 in volume of 205 500 shares. Food Lion reported poor third quarter results recently. STOCKHOLM heard SE-

Banken say that it had out-standing loans of SKrlbn to the Gota group, which suspended payments to creditors last week. SE-Banken A fell SKr1 to SKr11.50. Handels banken A touched a new year's low of SKr21.50 before recovering slightly to close SKr1.50 lower at SKr22.50. All in all, the bank sector dropped more than 6 per cent as the Affärs-världen index fell 9.1 to 736.0. OSLO fell 2.3 per cent in spite of firmer North Sea oil prices and a cut in domestic

interest rates. The composite index ended 7.81 lower at 325.61 in turnover of NKr222m. The industry index, which includes stocks linked to North Sea oil, fell 12.74 to 577.42, Norsk Hydro losing NKr4.50 to NKr141.00. VIENNA eased two per cent

as the market was depressed by German M3 data. The ATX index was down 17.39 at 822.44.

Bangkok heartened by period of political calm

Turnover has hit record levels, writes Victor Mallet

angkok's bulls paused for breath yesterday, after a frenzy of buying which has generated record trading volumes on the Stock Exchange of Thailand, and pushed the SET index up 29 per cent since troops killed at least 50 pro-democracy demonstrators on the streets of the capital in May.

Stockbrokers had been anticipating a mild correction this week, and yesterday the index closed 5.33 down at 863.42 in turnover of Bt18.56bn (\$734m), following Monday's sharp rise in share prices in turnover of Bt22.64bn, the highest in the history of the

Both foreign and local investors have been heartened by this month's election results and the formation of a coalition government under Mr Chuan Leekpai, the leader of the Democrat Party.

The coalition is fragile, but the killings in May so discredited the armed forces and the political parties supporting them that Mr Chuan and his allies were able to win the election and leave Thailand's recalcitrant generals and corrupt politicians on the sidelines for the time being at least.

Even before the events of May, the Thai market was unsettled by Iraq's invasion of Kuwait in 1990 and the Thai military coup of February 1991. Mr Graham Catterwell of Crosby Research said yester-

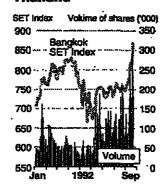
day: "We have had two years of instability and uncertainty. People have been itching, and waiting for the skies to clear: the skies have cleared, so they

Foreign institutions, which had been underweight in the Thai market, have been heavy buyers of Thai stocks in the

NATIONAL AND REGIONAL MARKETS

past fortnight, although some have begun to take profits from the bull run, while Thai speculators have piled into their favourite counters in the

Thailand



finance and securities sector. Local finance companies represent a leveraged bet on the market because higher volume increases their profits.

The SET is growing week by week - a new unit trust and a leather company made their debut yesterday - and the exchange's computer system, so far, has handled the surge in volume without any significant problems.

Trading is scheduled to be paper-free by the end of the year, a move which could make life difficult for foreign investors who sometimes hold shares designated for locals by using nominees, instead of paying premiums for the shares allocated to foreigners.

In theory, the ultimate beneficial owner should be disclosed in the scripless trading system, but brokers have been sured that a way around the problem will be found to sat-isfy foreign demand for Thai

new Securities and

-1.3 112.13 38.98 100.09 118.89 -0.9 137.88 121.71 123.08 122.90 -1.5 122.20 107.87 109.08 106.99 -0.4 106.81 94.28 95.34 109.75 -1.9 175.05 154.53 156.26 159.24 -4.3 46.79 41.31 41.77 52.98 -0.5 136.80 120.75 122.10 126.21 -1.4 99.20 87.58 88.54 88.54 +0.2 207.06 182.80 184.86 236 91 +3.7 134.99 119.16 120.50 123.31 -2.9 44.68 39.44 39.86 236 91 +3.7 134.99 119.16 120.50 123.31 -0.8 108.397 939.23 949.75 4149.53 -0.8 108.397 939.23 949.75 4149.53 -0.8 108.397 939.23 949.75 4149.53 -0.6 141.41 124.83 126.23 124.28 -0.3 38.65 32.36 32.72 41.79 -2.8 123.42 108.95 110.17 116.25 -0.1 159.20 140.53 142.10 135.43 -0.2 152.86 134.94 136.45 155.45 -0.1 169.20 140.53 142.10 135.43 +0.5 101.98 90.03 91.05 94.89 +0.9 151.71 133.91 135.41 151.71 -1.1 147.55 130.26 131.72 170.09 -0.2 122.65 108.27 109.49 116.41

-1.1 147.55 130.26 131.72 170.09 -1.1

-0.2 122.55 108.27 109.49 116.41 +0.1

-2.0 131.48 116.06 117.36 118.96 -1.4

+2.6 101.63 89.72 90.72 91.53 +0.7

+1.3 110.14 87.22 96.31 101.73 +0.4

-1.1 145.01 128.03 129.47 165.98 -1.8

-0.0 104.98 92.99 93.73 96.79 -0.6

-0.4 137.29 121.22 122.57 142.79 -0.2

+1.2 111.02 98.01 99.10 103.81 +0.4

+0.2 119.72 105.69 106.86 121.31 -0.4

+0.2 122.37 108.03 109.24 123.75 -0.2

-0.7 138.64 120.63 121.99 145.67 -0.2

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120.20 166.24 117.56

Exchange Commission is attempting to improve regula-tion of the market, and the addition of a SET afternoon trading session, greeted with a marked lack of enthusiasm when it was introduced in

July, has proved a success. Forthcoming third-quarter results, particularly those of the increasingly busy finance companies, could extend the market rally, but some brokers are predicting a fall before the end of the year.

Mr Scott Klimo, director of Thai research for Smith New Court, commented: "This rally around election time was really fully anticipated. There are a lot of factors that are the market back down before

the year is out."
Such problems include an abundant supply of office space which is likely to hit overvalued property shares, the probability of disagreements within Mr Chuan's coalition, and the possibility that Thailand's economic growth will be lower than the officially predicted 7.6 per cent.

Opinions are divided on the extent to which transport and communications bottlenecks within Thailand, and the economic woes of the country's main export markets in America. Europe and Japan, will restrict Thai economic growth.

ost brokers agree. however, that the shares of Thai companies in growing service industries such as insurance and banking, and in infrastructure-related businesses, remain good buys, and that Thailand is still looking at least as attractive as the other markets in the region as a prospect for 1993 and beyond.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

-0.8 -1.2 -0.3 -1.5 +0.3 -0.9 +2.1 -3.9 -0.1 -0.5 -0.3 -0.3 -0.3 -0.3 -1.1 +0.1

The World Index (2212)... 141.21 +0.2 122.50 108.14 109.36 124.06 -0.2 2.74 140.86 121.99 110.15 108.58 124.35 153.70 130.66 144.71

Gross Div. Ylaki

4.128 5.376 1.255 5.207 1.255 5.208 1.455 2.442 3.218 5.222 3.218 5.222 2.285

160,44
143,03
143,03
152,570
56,38
158,50
115,92
228,32
150,12
550,09
241,01
1235,90
1235,90
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177,33

172.00

4.06 141.71 122.72 2 52 154.59 133.87 1.32 114.24 98.93 2.55 125.35 108.55 3.00 168.98 146.34 3.49 122.27 105.99 3.66 158.84 137.55 2.57 128.47 109.51 19.31 2.74 140.71 121.85 3.39 158.67 137.41

at UBS Phillips & Drew. Itoman failed to trade for the

The Nikkei gained 216.48 at 18,282.72 after fluctuating on arbitrage-related business. reaching a low for the day of 17,993.98 in the morning and a subsequent high of 18,450.62.

280m shares from 237m, while advances outnumbered declines by 569 to 379, with 184 issues unchanged. The Topix index of all first section stocks put on 10.65 at 1,366.16, but in London the ISE/Nikkei 50 index softened 2.20 to 1,096.45.

porations also remained on the ber book closing for the first six months of the fiscal year. investors who had sold steel and shipbuilding shares were

pon Steel improved Y4 to Y304. Aids-related speculative shares lost ground. Terumo, which surged on Monday on reports that it had developed an anti-Aids substance jointly with a university in southern Japan, receded Y60 to Y890 on profit-taking. "Japanese bro-kers are having a hard time finding a new theme to follow Aids," said Mr Masami Okuma

SOUTH AFRICA

119.82 153.68 124.36
124.46 186.70 139.27
108.11 152.27 135.87
110.14 142.12 123.12
161.64 273.94 196.78
54.34 89.80 52.92
125.87 168.75 148.06
89.34 129.69 111.97
236.50 259.55 176.36
120.74 173.71 145.54
49.63 80.86 49.25
120.74 173.71 145.54
49.63 80.86 49.25
120.74 173.71 145.54
49.63 80.86 49.25
120.74 173.71 145.54
41.92 48.52 41.90
119.42 182.52 41.90
119.42 182.52 136.40
135.63 229.63 180.71
155.87 263.60 175.03
185.57 161.72 120.03
136.22 200.28 166.24
94.35 118.45 95.99
150.09 200.77 165.85

116.32 156.88 120.67 186.52 90.88 141.97 101.30 146.21 187.79 170.49 97.41 132.98 143.14 175.31 103.22 146.91 121.78 150.58 124.03 153.05

167.79 97.41 143.14 103.22 121.78 124.03 146.58

102.35 100.89 125.48 123.68 111.83 110.24 96.65 95.26 160.85 158.54 44.08 43.45 123.93 122.16 90.65 89.36 117.39 115.71 41.47 40.88 85.77 84.96 85.77 84.96 138.00 136.03 33.14 32.66 144.75 112.84 143.65 141.59 138.00 136.03 136.03 135.51 132.38 130.49 91.47 90.17 53.551 133.57 134.50 132.57

110.81 109.23 120.88 119.15 89.33 88.05 98.01 98.61 132.14 130.28 95.63 94.29 124.22 122.43 98.90 97.48 107.74 106.20 110.03 108.46 124.08 122.32

113.35 138.94 123.97 107.04 178.14 48.82 137.26 100.39 130.01 45.94 95.00 208.72 1070.29 141.96 36.70 126.78 159.09 152.84 107.39 152.84 107.30 152.84 107.30 153.09 148.95

Japanese institutions sidelined for holiday advanced on hopes of higher earnings due to the govern-ment's additional fiscal spendimposed when Mr Chung Ju-

ing. Nippon Road added Y40 at

Y1,340 and Sumitomo Cement

In Osaka, the OSE average

improved 120.67 to 19,604.69 in

MIXED sentiment ruled in the

volume of 21.4m shares.

Y7 at Y557.

Roundup

region yesterday.

Tokyo

SMALL-LOT purchases by investment trusts and foreigners complemented arbitragerelated index buying yesterday, and the Nikkei average closed firmer after light trading, writes Emiko Terazono in

Volume rose moderately to

Institutional investors remained inactive ahead of today's national holiday. Financial institutions and corsidelines ahead of the Septem-Foreigners were seen buving large-capital issues such as steels. Traders said foreign

covering their positions. Nip-

INVESTORS remained cautious ahead of an expected announcement of the summit between Mr Nelson Mandela and President P W de Klerk. Industrials rose 9 to 4,146 while the overall index was 3 down at 3,173. The gold index

dropping T\$5 to T\$68.50. Group shares. The composite

SEOUL continued to lose ground on political worries. although the market was supported by gains in Hyundai index dipped 2.38 to 519.16 in turnover of Won226.1bn. Hyundai companies rose on rumours that credit sanctions

yung, the group's founder, announced that he was to enter politics were to be lifted. Hyundai Engineering and Construction rose by its daily limit of Won600 to Won11,700 on speculation that the company may be able to bid again for the contract to build the

new Hong Kong airport.
TAIWAN rallied after Monday's fall, the index closing 42.85 up at 3,524.75 in turnover down to T\$14bn from T\$16.2bn. Hualon preferred stock was one of the day's biggest losers,

KARACHI saw its steepest rise this year as investors scrambled to snap up low-priced textile shares. The KSE

100-share index climbed 51.49.

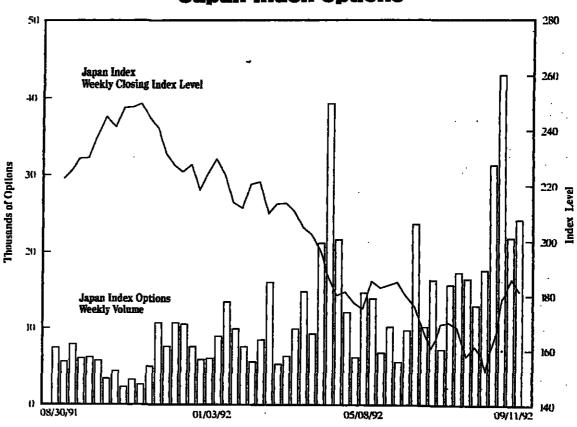
AUSTRALIA weakened on ervousness about uncertainty in European currency markets. The All Ordinaries index slipped 10.8 to 1,520.8 in turnover of A\$171.2m.

MANILA lost ground as Philippine Long Distance Telephone fell sharply in overnight US trading. The composite index declined 14.50 to 1,396.15

in turnover of 91m pesos. PLDT lost 25 pesos to 970 pesos. Some analysts said investors were selling common shares in preparation to switch to the forthcoming offer of pre-

HONG KONG saw little activity and the Hang Seng index ended 1.35 off at 5,740.18 in turnover of HK\$2.05bn.

Japan Index Options



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Options on the Japan Index, traded on the American Stock Exchange, have been making some noise. And given the fact that open interest in Japan Index Options (ticker: JPN) has reached record levels, it's practically deafening.

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It's time you traded up.





SECTION III

Wednesday September 23 1992

None of this means Atlanta can yet rival New York, Chi-cago or Los Angeles in sophis-

tication. But time and money

may eventually do the trick.

What is more in question is Atlanta's personality and

self-assurance, an issue under-

lined by controversy over the

cartoon mascot the city has

chosen as its Olympic symbol

- a jolly, worm-like blue blob.

Its promoters say the blob

has the advertising advantage

of being able to assume myriad

different shapes. Opponents

argue that this is precisely its weakness: it reinforces Atlan-

ta's image as a faceless, mon-

ey-grubbing centre and fails to

project what remains of its dis-

Some observers argue that

the city's doubts about its own

character and purpose are

revealed by its tireless self-pro-

motion and its sensitivity to

outside criticism. "Atlanta is

still trying to overcome an

inferiority complex of being

southern," says Professor

David Sjoquist, of Georgia State University. "It always wants the biggest and the

Paradoxically, however, it is

Atlanta's achievement in

defusing that greatest of his-

toric southern problems - the

race question - which consti-

tutes one of its most important

defining characteristics and

Relations between the races

tinctive southern character.

or the next four years much of the commercial and political life of Georgia, and its capital Atlanta, will be domi-nated by the fact that in 1996 Atlanta will play host to the Olympic Games. For a brief few weeks it will become the centre of global attention. It is a measure of how far

Atlanta has come in the past 30 years - economically, politically, socially and culturally that its bid for the games was successful in the 1950s it was but one of several large, provincial cities in the backward and racially divided American

Today it is the undisputed economic capital of the region, with a well deserved reputation for harmonious race relations. Its post-modern skyline, huge airport efficient motor way network, underground railway and shopping malls have made it the pre-eminent symbol of the economic rise of the "New South".

But the coming of the Olympics also points up several intertwined social and political problems facing both the metropolis and Georgia. And the games highlight the distance Atlanta yet has to travel to the goal it proclaimed for itself a decade ago - that of becoming the "next great international city".

This is a vague concept, but its essential ingredients would appear to include the economic dynamism, self-assured character, cultural sophistication and global communications links necessary to attract foreign investors and overseas visitors in huge numbers.

There is no doubting Atlanta's economic dynamism. The metropolis boomed uninterruptedly from around 1977 to 1990 as the south-east enjoyed growth much faster than the national average, thanks to migration from other parts of the US, lower resource and labour costs and its spanking new infrastructure.

The region is now emerging with painful slowness from a severe, 18-month recession. Still most economists expect both Atlanta and Georgia to enjoy a growth level in the 1990s somewhat better than the



The Georgia State Capitol building: Atlanta symbolises the economic rise of the "New South"

Atlanta and the state of Georgia are among the US's most dynamic centres. Recession has meant job losses, but the award of the 1996

Olympics reflects continuing confidence. Martin Dickson reports

Centre of attention

national average even though the boom times of the 1980s may not return.

The communications infrastructure of the metropolitan area is also impressive, as befits a city which has been careful to remember it owes its origins to a felicitous geo-graphical position, at the foot of the Appalachian Mountains, making it an important 19th century railway centre.

Arguably the most crucial single factor in the post-war Atlanta boom was the city's recognition that it needed to reinforce its position as a communications hub by repeatedly expanding Hartsfield airport.

now one of the largest and

important to the city in the 21st century as air transport has been in the 20th.

nal.

most modern in the world. To that has been added a system of freeways and a fibre optic telecommunications network that could prove as

Culturally too, Atlanta has come a long way. Its sky-line is now one of the more architecturally interesting in the US; it has numerous fine restaurants; the permanent collection in its High Museum of Art, opened nine years ago, may not be of the finest, but its periodic exhibitions are stimulatingly origihere than in any other American city of comparable size, north or south.

are almost certainly far better

This is not to say that all is sweetness and harmony. The races do not mix much socially and there is constant stress between the black politicians, led by Mayor Maynard Jackson, who run the predomi-nantly black inner-city core of Atlanta and the whites who run the predominantly white, wealthy suburbs to the north

But Atlanta's black politicians and white business elite realised as far back as the 1940s that racial co-operation was a key to economic growth. The relative liberalism of the city's (but not the state's) white power structure during the civil rights struggle of the 1960s, which had Atlanta as its base, was also crucial in drawing outside investment to the region. Hence the slogan, "the city too busy to hate".

he partnership has been helped by Atlanta long having a large, black middle class and the nation's greatest concentration of black institutions of higher learning. This, coupled with its liberal racial attitudes and growing econ-omy, has made the city a mecca for ambitious blacks throughout the US.

However, Atlanta's core contains the same problems of black deprivation as other American cities, with the usual attendant drugs and crime. Atlanta regularly competes for the title of "murder capital of the US" although the small size of the city, relative to the surrounding suburbs, means such statistics over-dramatise the problem.

There is a danger, then, of Atlanta becoming a city perma-nently divided into a white/ black college-educated middle class and an underclass.

It is, however, characteristic of Atlanta's can-do attitude that it is attempting a hugely ambitious solution to the problem, being closely watched for possible national lessons. This is former president Jimmy Carter's Atlanta Project, which

TENNESSEE NORTH CAROLINA GEORGIA Augusta SOUTH ALABAMA Phenix City

aims to mobilise tens of thousands of volunteers to tackle inner-city problems

The plight of the ghettoes is one of the most important confronting Atlanta, but there are others. They include a poten-tial shortage of water supplies and a need to improve the quality of its primary and sec-

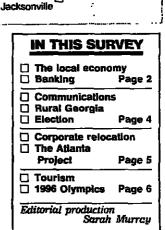
ondary education. The city's once frosty politi-cal relationship with rural Georgia, which still dominates the state legislature, is now more harmonious; the rest ofthe state better appreciates the economic benefits of a metrop-

olis containing only 37 per cent of Georgia's population but generating over half its per-

FLORIDA

But there remains a danger that a lack of political co-operation between Atlanta's black centre and white suburbs will hold back much-needed regional planning on issues such as transport, water and

air quality. In this, as in so many other areas, the formidable preparation still needed for the 1996 Olympics will provide an important test of Atlanta's maturity and resolve.



ATLANTIC

OCEAN

AVI. List GmbH - Bernecker & Reiner Industrie Elektronik - Creditanstati-Bankwerein - Alca - Glock GmbH - Zellstoff-Und Papierfab Franschach AG - Seefried Group - Tyrofit Schleifmittehwerke/Swarowski - Martin Müller - Wilma Int'i - Burco NV - Beanlieu Tufting NV - Betsert NV SA - Fabricom SA - Delhaize Freres et Cie Le Lion - Extraction Be Sozet - DOMO NV - Danlop-CCT SA - EBACO Int'l NV - Fernont NV - Petrofina SA - Yazti, F.K. - Kredlethank NV - Louis De Poortere - Galler Sprl. - Parein, Int'l/Others - Solvay & Cie - SABENA World Airlines - Seghers Group - Sky Climber-Europe - Super Club NV - Euro-Compound Belgium NV - Wilma Int'i Bruel & Kjaer Export A/S - Dan Transport A/S - East Asiatic Co., Ltd. - Bova Holding - ISS Int'i Service System A/S - Maersk Steamskip Line - OS Plastic A/S - Quickwood APS - Satair A/S - Aarbus Stiftsbogtrykkerle - Wittenborg A/S - Abistrom OV - Brown Skylift OY, Ltd. - Finnair - Wipak OY - Tamfelt O'MAB - Yalande Automation OV - Kennar OY - Formal - Ltd. - Finnair - Composite - Co OY - Polipida Insurance Company, Ltd. - Folardesign Co. - Roseniew, W., Ltd. - Rauma-Repola OY - Safern E. OY, Ltd. - Johja Corp. - T-Orill OY - Tampella, Ltd. - Feranote OY - Valuet Automation OY - Value Rose
OY - Outokumpu OY - L'Air Liquide - Goemar SA - Air France - Abelile-Paix Reassurances/Others - Pectining and Comp. - Rallye SA - Movabresse Decoration - Groupe Bull - Caddy SA - Cap Gemain Sogeti - Societe
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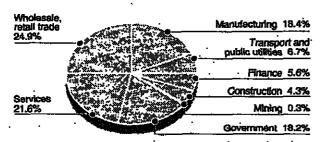
GEORGIA AND ATLANTA 2

RIDING THE RECESSION

Bruised but not battered

	Atlanta	Georgia
Propulation (1990 census)	2.8m	6.5m
Area (sq miles)	132	58,910
Labour Force (June 1992)	1.475m	2.989m
Ounemployment rate	5.8 %	6.2 %
(1st quarter 1992) Per Capita personal	3.0 70	"
income (4th quarter 1991)	\$20,263	\$17,364
Number of companies listed		
in Fortune magazine's "500"	6	11
● 1992 general funds	****	en ccah.
government budget	\$351m	\$7.553bi
●Touriam revenue (1991)	\$3.7bn	\$10,4bn

Employment, 1991



OVER THE past two years Atlanta and the wider Georgia economy have had to cope with a phenomenon of which they have had remarkably little recent experience: recession.

The economy of the Georgian capital has grown so rapidly since the second world war that it has not suffered nearly so badly from periodic recessions as most of the US. And it managed to avoid the great 1981 downturn entirely, thanks in part to an extensive public works building programme. Not so the 1990-1992 reces-

sion, which has been the worst in Atlanta since a severe property crisis in the mid-1970s. "We took a significant recession and we're just gradually digging out of it," says Mr Don-ald Ratajczak, director of the Economic Forecasting Center at Georgia State University.

Total payroll employment in the state dipped to 2.942m in 1991, down 1.6 per cent from 1990, and economists are expecting only a marginal per cent. Atlanta, for its part, saw a 1.4 per cent drop last year, to 1.46m jobs, with signs of an equally muted upturn so

The big question now is how much business conditions will improve in 1993, with many economists hopeful of jobs provided the wider US economy does not fall into a "triple dip" recessio

However, Mr Moncure Crowder, economist at Wachovia bank, points out that the current slow pace of recovery means no one is ready to proclaim the return of the kind of boom Atlanta enjoyed in the

And while the state is generally expected to enjoy stronger

		New Industri	es	Expanded Industries			
Country	No.	Employed	Capital Investment	No.	Employed	Capital Investment	
Austria		_		1	n/a	3.25m	
Canada	4	360	15.0m	6	124	6.32m	
France	1	350	10.0m	3	25	7.00m	
Germany	2	560	12.0m	2	n/a	1.42m	
Japan	3	540	43.0m	13	97	60.13	
Netherlands	1	80	8.0m	3	100	2.84	
Swøden	1	30	3.2m	-	_	-	
UK	4	265	32.5m	2_	n/a	3.09m	
TOTAL	16	2185	123.7m	30	346	84.05m	

NEW MA	INUFACT	URING	industrie	S REPORTE	D IN 1	991
Name	Country		Product		Jobs	City
BEL Tronics	Canada		Radar detectors		300	Covington
"5" Rubber Corporation	France		Rubber seals		350	Griffin
Ritz Instrument	Germany	,	High voltage tra	nsformers	500	Waynesboro
Matsushita Storage	Japan		Lead acid batter	ries	340	Columbus
Toto/Mitsui	Japan		Vitreous china plumbing ware Marine cranes		200	Atlanta
Brown, Jered	UK				200	Brunswick
SU	MMARY ()F EC	ONOMIC GRO	WTH 1983	-1991	
	1986	1987	1988	1989	1990	1991
Announced projects (est)	437	568	576	407	260	195
Value (\$bn)	8.8	15.6	14.3	9.1	3.6	3.1
Office space sq/ft m	24	35	30	17	6	7
Hotel rooms	10,156	8,378	3,642	3,950	2.209	775

economic growth than the nation as a whole during the 1990s, it may not retain quite the advantage of the past

Employment (est)

New companies

As economists at the Federal Reserve Bank in Atlanta have pointed out, changes in the structure of the regional econ-

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omy have diminished some of the comparative advantages of the Southeast, which is increasingly "becoming subject to the same general influences as the nation.'

235,000

123

109.304

150

244,200

148

186.832

190

Atlanta's growth over the past 30 years has certainly been remarkable. In the 1950s

Legal

Services

Clients

Multinational

it was roughly the same size as the steel city of Birmingham, Alabama but it is now far high ger and the undisputed economic capital of the South. Contributory factors have

42.091

129

236.327

130

• An optimistic, boosting. can-do business philosophy; • The city's geographical position, as a rail, telephony, road and air communications cen-

which grasped the need to reinforce these advantages with, for example, repeated modernisation of the city's Hartsfield airport, one of the world's biggest and
An early, enlightened attitude to racial integration,

Its political leadership -

which gave comfort to companies from outside the region looking (in the 1960s and 1970s) for a city in which to place a southeastern regional head-

quarters.
The first boom occurred from 1966 to 1973 and included two developments which have been important to the city's continued success.

One was the modernisation of Hartsfield. The other was construction of the first wave of the hotels which have propelled Atlanta to an important position in the convention Boom was followed by a

property bust in the mid-1970s and then, starting in about 1977, came a long wave of expansion which saw the city consolidate its regional position and aim to become an international centre of note.

The boom drew in a substantial number of foreign companies and produced a widely diversified economy. (For although the Atlantan and Georgian economies are heavily dependent on the services sector, no single industry dominates, and agriculture, once the state's mainstay, now forms a relatively minor component of its output.)

This second boom ended in 1990 as the US headed into a national recession. Atlanta was hard hit by the demise of Eastpresence at Hartsfield, and the closure of one of two General Motors plants in the area. (The second appears safe for now).

The overheated property market also slumped. Atlanta currently has an office vacancy rate of about 20 per cent, similar to many other big US centres, and its warehouse and retail vacancy rates are also high. "Property is going to be a drag almost throughout the decade," says Mr Bethel Banks.

However, positive economic factors should significantly outweigh any negatives over the medium to long-term. Atlanta's good infrastructure, pleasant life-style and relatively low property costs means that it consistently ranks at or near the top of surveys of the best US cities in which to do business

It will continue to be a magnet for new investment, whether it comes from the small, new technology firms the new jobs, or dramatic cor-porate relocations such as the move of United Parcels Service to the city from its former Connecticut headquarters.

The 1996 Olympics will also give a direct boost to the economy, provisionally estimated at some \$3.5bn - but almost certainly its greater long term importance will be the public relations impact it will give Atlanta internationally as a place to do business.

The Olympics will certainly give a mid-decade impetus to the city's important tourism industry. This has been stuck on a plateau for the past two years, and may find it hard to show substantial growth while the US economy remains so

Atlanta-based Delta Air Lines, an important local employer and one of the "big three" US carriers, is expected to expand less aggressively over the next few years as i digests its recent purchase of many of defunct Pan Am's routes, which enabled it to make a huge leap into the international arena. However, growth in the city's transport services business is expected to

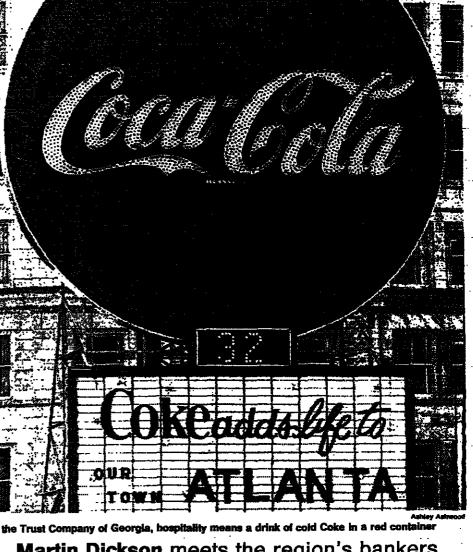
remain positive. Among the best hopes for strong growth over the next few years are the city's various high technology businesses. Communications is a huge industry; it ranges from Bell-South, the largest of the Bell regional telephone companie to Mr Ted Turner's Cable News Network (CNN).

Atlanta has one of the most extensive networks of fibre optic cable in the US, and the city's role as a communications hub was cited by British Telecom when it decided to place the headquarters of Syncordia, a subsidiary set up to manage large users' worldwide networks, in the area.

The Georgia Center for Advanced Telecommunications Technology represents an attempt by government and private industry to capitalise on the state's communications advantages by researching Ways of integrating the convergent technologies of telecommunications, consumer electronics, cable tv, computers

and tv programming. Computer software is also becoming a significant employer. So is medical technology, with the location in Atlanta of the US Public Health Service's Centers for Disease Control and the American Cancer Society.

Martin Dickson



Martin Dickson meets the region's bankers

The loan rangers

WHEN you visit the Atlanta office of Mr EP "Bud" Gould, chairman of the Trust Company of Georgia, you are likely to be offered a drink of Coca-Cola. Not coffee; not tea nor any other beverage. Mr Gould is quite particular about his Coca-Cola, which is proferred to you in a bright red container bearing the drink com-

The gesture is a small but significant pointer to the long-standing ties between Georgia's largest banks and

For the Trust Bank, part of the SunTrust regional bank holding company, underwrote the first issue of Coca-Cola stock back in 1919. It still owns Coke shares, now worth some of a commission for the flota-

Tradition alone, however. will not get you very far in today's intensely competitive Georgian banking business. which has undergone a radical change in the past decade as the banking industry of the American southeast has consolidated and as Atlanta's commercial success has attracted a substantial number of foreign banks to the city.

Moreover, while Atlanta has long been the banking capital of the southeastern region which is a large net importer of capital - that title is now being challenged by North Carolina, because two of Georgia's biggest banks have merged with institutions which have their headquarters in that

That said, much of the region's commercial business remains in Atlanta - as indeed does the region's Fed-

eral Reserve Bank. One of most distinctive features of Georgia's main hanks is their financial strength - at a time when much of the US banking industry has seen its balance sheet ratios hit hard by recession and a bust in the commercial property market.

Two of the three - Suntrust and Wachovia – rank amon the best 10 super-regional banks in the nation in terms of return on equity and non-per forming asset ratios.

The third, the aggressively expansive Nationsbank, is not too far behind in these areas; it now ranks as the fourth largest bank in the nation, with assets of \$110bn. (That compares with Suntrust's \$34bn and Wachov ia's \$33bn.) This strength stems in con

siderable part from Atlanta's banking traumas in the mid-1970s, when a property crash produced severe losses. Mr Raymond Riddle, president of Wachovia Bank of Georgia says: "The banks learned a very difficult and painful lesson. Our real estate philosophy since then has been to selec the very best developers, and limit ourselves to people we knew and understood."

Atlanta's banks were therefore very cautious lenders during the city's 1980s property boom, unlike some insurance companies and banks from New York and abroad, which are now nursing painful losses from Georgia's real estate slump of the past few years.

This history goes some way to justify the Atlanta banks overcautious in their lending natterns, and remain so. Certainly, the strength of the banking system ought to help the city as it emerges from

Nevertheless, Mr Donald

Ratajczak, director of the Eco-

nomic Forecasting Center at Georgia State University, says: "The banks are acting in their lending activities almost as if they went bust. They are very

Mr Rataiczak also points out that Georgia's current tax sysis a substantial disincentive to the growth of a invest-ment portfolio management industry in Atlanta. If the system were to be changed, he says, it could give a significant kick to the relatively small

The banking industry began to assume its current shape after 1977, when a law was passed which allowed Georgian banks to expand outside their home county and buy up other Georgian banks. The result was a wave of consolidation

Over two dozen foreign banks have arrived in the past decade

within the state.

in 1984 a much more significant takeover wave rolled forward when 11 southeastern states agreed among themselves to permit banking takeovers across state lines. This rapidly resulted in the emergence of some of America's first so-called super-regional

Trust Bank acquired businesses in Florida and Tennessee and became Suntrust. North Carolina-based First Wachovia and First National Bank of Atlanta agreed to merge, and later acquired South Carolina National. in 1989 the North Carolina-

based NCNB made an unsuccessful hostile bid for the

Atlanta-based Citizens & Southern - the largest bank in Georgia - which merged instead with Virginia-based Sovran Financial. However, troubles with Sovran's property portfolio so weakened C&S/Sovran that NCNB was able to launch a second, successful bid in 1991. It renamed

9.5

Barter:

a symbol of its wide ambitions. All this has left SunTrust the only one of the Big Three Georgian banks with headquarters in the state. The bank tries to exploit this, as an attraction for busines:

the entire group NationsBank,

Banking competition in Georgia has been increased by small banks in the state since the early 1980s, and the arrival banks. The foreigners have been allowed to operate in Georgia since 1976, but are forbidden from taking deposits or offering retail services. Specialising in large loans to corporate customers, they offer companies an alternative to the regional banks and, for deals above local banks' lending lim-

its, to the large New York money centre banks. (Less conventional were the lending practices which in 1989 led to a scandal which enveloped the Atlanta office of Italy's Banca Nazionale del Lavoro. It was revealed to have funnelled billions of dollars in unauthorised credit to Iraq, which bought arms with

The foreign banks have keen rates and large sums of money to offer the Atlanta business community, but some of them have found it so hard to make a reasonable return in the southeast, given the competition and overheads, that they have left the market. Mr Gould, at Suntrust, says:

"Everyone has to price differently, compete harder, grow a little less rapidly than they'd like to because of the heightened competition."

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Still the south's staging-post

the United States, and Atlancentre becomes obvious. The city stands at a staging-post between Florida and the midwest, and at the end of the Appalachian Mountains' swing down the eastern seaboard.

This geographical advantage has given import to Atlanta ever since its formal founding in 1837. During the Civil War bution point for troops and supplies; after the south's defeat, it was the federal headquarters for the "Reconstruction" effort.

In 1866, shortly after the Civil War ended, four railroads the Macon & Western, the Georgia Railroad, the Atlanta & West Point, and the Western & Atlantic - converged at the

Over a century later, although different modes of transport dominate, the picture remains remarkably similar. Three important highways intersect in Atlanta, making

the city a main trucking and distribution centre. Interstate 75 runs north-south, from northern Michigan to Miami; 1-20 runs west-east from western Texas to South Carolina; and 1-85, which runs parallel to the Appalachians, links Richmond. Virginia with Montgom-

ery, Alabama. Today, however, Atlanta's most reknowned communications role is probably as an air operations centre. In terms of aircraft landings and take-offs, its main Hartsfield International Airport ranks fourth in the world (after Chicago's O'Hare, Dallas-Fort Worth, and

In terms of passengers han-dled, Hartsfield drops a couple of places in the rankings; over-

Los Angeles International Air-

In 1991, in spite of the US airline industry's problems. Atlanta handled 37.9m passengers - only a shade below Heathrow's 40m

taken by Tokyo's Haneda airport and London's Heathrow. But in 1991, in spite of the US airline industry's problems, Atlanta handled 37.9m passengers - only a shade below Heathrow's 40m

And Hartsfield still claims to provide the world's largest passenger terminal complex, capable of handling up to 75m passengers once its new international concourse is built. Such boasts notwithstand-

ing, there is no question that a little of the sheen has been rubbed off Hartsfield's gloss in recent years.

During the 1980s the picture was remorselessly upbeat. The new Hartsfield terminal opened in 1981 and although it weathered its share of consumer gripes - the robotic voices on the "people-mover" and the unimaginative concessions - traffic was generally on the rise and Hartsfield proved a functional success. In 1990 it handled 48m passengers and 790,000 take-offs and landings: an average of over 2,000 a

Part of this growth came from the expansion of Delta Air Lines, which has its headquarters in Atlanta and uses Hartsfield as its foremost hub. Today. Delta is generally regarded as one of the nation's three "mega-carriers," but during the 1980s it was laying the foundations for this role.

It expanded in part by acquisition - including the purchase of the West Coast-oriented Western Airlines - but also by the building and developing facilities at its Atlanta se. Gleaming hangers, a new

building, and a state-of-the-art cargo facility all stand as testament to this policy.
Unfortunately, two events in

the 1990s have had an adverse impact on the airport's fortunes. The first is the general economic recession, which has depressed the level of air traffic both on the business and the tourist fronts.

This has meant problems for Delta, compounded by the carrier's decision to purchase the transatiantic routes of Pan Am - an acquisition which has proved hugely difficult to inte The carrier recently

announced "downsizing"

moves - including a 5 per cent

cut in its workforce - and has already reduced its previouslyambitious capital spending plans for the rest of the decade. The second was the demise in early 1991, of Eastern Airlines, the only US carrier besides Delta to use Atlanta as a hub. The grounding of Eastern planes threw thousands of people out of work in the city. Today, almost two years later, empty Eastern facilities still give a ghostly aura to parts of

the airport. The combined result of these events was a sharp drop in

traffic at Hartsfield last year. The number of passengers using the airport fell by 21 per cent; take offs/landings slumped by 25 per cent. This year has shown little improvement: the increase in aircraft operations during the first half of 1992 was less than 5 per cent, and the rise in the num ber of passengers only about 3

Eastern's failure also left the airport with a pressing practi-cal problem: 33 spare gates on one of the four concourses. Interestingly, despite Atlanta's attractive geographical position, no airline showed itself anxious to snap these up, and concourse B became largely a handful of gates which were recently re-employed by Trans World Airlines, these are still

on the market. The Atlanta Airport Commission admits that the chances of leasing these to a single occupant are slim, but it remains optimistic that renewed future expansion by carriers at Hartsfield will finally produce takers for the gates on a piecemeal

The slow take-up of the Eastern gates has caused critical Atlanta, say the critics, is "Del-



Honeywell's in Atlanta is a 24-hour telecommunications network for cor

taland," and other carriers have veered away from the airport because of its entrenched

objected augrily when the sur-viving airline raised prices in the wake of Eastern's demise (Eastern had been aggressively cutting fares in its final

Delta has heard the arguments many times. It does not dispute its dominant position at the airport: it currently ccounts for about 80 per cent of all passengers boarding at Atlanta, compared with less than 60 per cent in 1990.

The airline does, however, point out that much of this is

be relocated to the Macon

traffic which is simply "hub-bing" through the airport (that is, passengers coming in on one flight and switching to another). Its share of passenger traffic which originates in Atlanta is closer to 30 per cent and it claims that the bulk of these passengers have the

choice of another airline. The net result is to leave the airport commission still talking of growth in the years ahead, but at much more modest rates. The building of the fifth concourse, for international flights, is still on, scheduled to open in 1994.

At present the fifth runway project is still being assess for its environmental impact.

And there is some consider ation being given to a "second airport" project, although one official describes this as being "on the back-burner". In the meantime, the expansion of cargo facilities continues apace, with a new perishables equine centre coming on

Finally, in the era of hightech communications. Atlanta has become something of a centre for telecommunications and associated industries. Bell-South, the largest of the "Baby Bells" resulting from the AT&T break-up is based in Atlanta, while AT&T also retains a significant presence in the city.

AT a cursory first glance, Macon's boarded-up shopfronts and downtown dilapidation, to say nothing of the decrepit warehouse at the end of the town's main street, suggest little in the way of economic

But peer more closely at Macon, about 85 miles south-west of Atlanta, and the picture changes.

While the town has not matched the growth rates seen recently in Atlanta, it has a well-diversified industrial and commercial base, better-thanaverage unemployment rates, and - over the past couple of decades - has established a good record for attracting new

All this is typical of Geor-gia's "second-tier" cities. Although each has individual characteristics, towns such as Augusta, Macon, Savannah, Columbus and Albany can look back on the 1980s with some

Middle towns in good shape

In a difficult climate the second-tier cities are holding their own

satisfaction. According to Mr Dean Albert Niemi, writing in the monthly Georgia Trend magazine, total personal income in the five cities over the past decade grew by 101.8 per cent. 92.2 per cent. 82.3 per cent, 78.8 per cent and 70.8 per cent respectively.

That failed to meet the growth rates seen in Atlanta, with the result that the state's largest city generated 52 per cent of Georgia's personal income at the end of the decade, compared with 47.9 per cent at the beginning. Nevertheless, against Atlanta's rapid expansion, the second-tier cities have made an admirable effort to hold their own.

be weathering the tougher climate of the 1990s in reasonably good shape.

Macon demonstrates how the general diversity of "middle" Georgia's economy helps. On the minus side, the Warner Robins Air Logistics Center has a strong influence on the area, and jobs - in line with the overall reduction in US defence spending - have been declining here recently.

In 1991, when Warner Robins was reckoned to have a total economic impact on middle Georgia of around \$2.1hn (through salaries and the purchase of goods and services), the base employed around

with 19,988 in the previous year and 20,631 in 1985. The decline was concentrated in civilian employment; the military base employed around 2,000 people less in 1991, than it did four years earlier.

But other big employers in the area have offered stable, even expanding, prospects. The largest in Macon itself is Brown & Williamson, the tobacco manufacturer which is owned by Britain's BAT Industries and employs around 29,500 people.

Other leading corporations range from a division of Weyerhaeuser, the West Coast-based pulp and paper company,

pies, to Geico, the large insurer which moved back office operations to Macon over a decade ago, and Charter Medical, the hospital management company, which is headquartered in the town.

Aerospace companies, such as Boeing and McDonnell Douglas, are another feature of the area - a spin-off from the Robins base. Given the defence spending cuts and retrenchment in the commercial airline market, this might appear to be a bearish influence on the local economy.

But even here the picture is not one of unmitigated gloom. Locals point out that corporate restructurings have sometimes benefited relatively low-cost. plants in Georgia, at the in the nation.

For example, following internal bidding, some of the work being carried out at McDonnell Douglas's Columbus, Ohio, plant - which the defence group recently announced would close - is scheduled to

region. One local businessman predicts that 1,000 jobs could he added over the next year. Clearly, however, new industry has been wooed and it has

not always come cheap. Officials at the Greater Macon Chamber of Commerce recount the tale of one New Jersey manufacturer, who was promising a mere 250 jobs but produced a heady \$7.5m incentive list as his price for relocating. In spite of these formidable demands, officials say they still believe he will move to the middle Georgia area - implying that at least some of the terms have been met.

Of all the second-tier towns, Macon is perhaps most closely affected by the expansion of Atlanta itself. Locals are ambivalent about the impact, Some suggest that having the larger city's facilities within a 90-minute drive attracts executives who want to operate in a cosier environment than Atlanta can offer. Others argue that some businesses have found the Atlanta hubbub more convenient and coldshouldered Macon as a result.

Savannah, further south and on the coast, has a slightly different tale. It shares, Macon's industrial diversity. Locals estimate that the town supplies around 100,000 jobs and sup-

ports some 80,000 families. Yet the largest manufacturing employer is Gulfstream Aerospace, the upmarket corporate jet manufacturer, which provides around 3,275 jobs, followed by Union Camp Corporation, the paper products company, with 3,200. Fort Howard Paper Company is

third with just 1,000. Tourism, however, is a much bigger factor - partly because of the city's geographical location and partly because of its historical roots. It is reckoned that Savannah gets over 5m "visitors" a year, of whom per-

Corporate restructurings have sometimes benefited relatively low-cost plants in Georgia

haps half are tourists (as opposed to visiting relatives, for example); These tend to fall into two categories: either older tourists attracted by the town's history, or families driving south to Florida and Disneyland, in need of a "stopover" city.

Either way, the arrivals pump almost \$600m into the local economy and provide around 16,500 jobs. Here, recession has taken a toll: the down-

turn in the economy has dented the industry nationwide and Savannah has endured small declines in the number of visitors and the money they spend. But at least the upmarket nature of these tourists has provided some insula tion and there are hopes that the 1994 Olympics will also publicise the town's name and reputation. Savannah is to host the yachting events.

Perhaps the town's most important success story, however, has been the growth of the Port of Savannah, which is under the control of the Georgia Ports Authority. Garden City Terminal, about 7 miles west of the centre of Savannah, now houses a six-berth container port, where business has been growing recently. In the vear to end-June, for example, the facilities saw a 13 per cent increase in containerised cargo to 3.85m tons. Some projections suggest that this figure could total around 6.4m tons by 2000.

Already, growth has been encouraged by the construction of a \$70m bridge over the Savannah River offering an enlarged 185ft of vertical clearance. A further improvement should come from the dredging

Nikki Tait

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State's moderate voters can make or break a presidential bid

FOR more than three decades, the only Democratic presidential candidate that has won the backing of Georgia's voters was its native son, Mr Jimmy Carter. But this year Georgia is

up for grabs. It is considered a crucial swing state for both candidates because its moderate-to-conservative Democratic voters are the kind that can make or break a presidential bid. And despite its inclinations toward Republican presidents in the past, many political observers believe that Mr Bill Clinton, who is leading in the polls, has

a chance to win it this year . An all-Southern Democratic ticket and an economy still in the doldrums help. "Clinton goes into this with the solid support, perhaps 80-90 per cent, of the black vote," says Mr Charles Bulloch, professor of political science at the Univer-sity of Georgia. "If Clinton gets 40 per cent of the white vote,

he can carry the state." Some 77 per cent of Georgia's registered voters are white, and voter turnout has generally run about equal for blacks and whites. Complicating mat-ters for the Republicans, Mr Ross Perot is on the ballot in Georgia. Although the effect of his presence is not clear, white conservative Democratic support for Mr George Bush could be diluted.

Mr Clinton is also benefiting of Georgia's Democratic governor, Mr Zell Miller. Governor Miller gave a keynote address for Mr Clinton at the Democratic National Convention, and since then has campaigned energetically in Georgia and, on occasion, stood in for Mr Clinton at campaign events in other southern states.

As elsewhere, the faltering economy appears to be working against Mr Bush. A recent Atlanta Constitution opinion survey indicated that the economy was considered the most important issue and that 70 per cent of those polled disap-proved of the way Mr Bush

This economic discontent able alliance. could help bring a shift in some state contests, too. Republicans, always a small minority in the Gerogia state assembly and senate, are not expected to increase their presence greatly, and a number of more liberal Democrats may be

redistricting. Yet, like many states where one large city dominates, the traditional split in Georgia has been the more rural state in opposition to Atlanta. In recent years, the division has also

elected - thanks in part to

Black political leaders and white business leaders have forged an unusually strong and workable alliance

taken on a racial aspect as more black legislators have been elected from Atlanta. Blacks dominate the political leadership of the city and this contributes to the feeling, according to Mr Bulloch, that "Atlanta is a different breed of cat from the rest of the state". But leading legislators from rural areas, such as Mr Tom Murphy, the Speaker of the House, realise that the economic health of the state depends on the robustness of Atlanta. Finding money for the 1996 Olympics, however, is likely to put this understand-

ing to the test. Atlanta has had a black mayor since Mr Maynard Jackson won election in 1973. He served two four-year terms and was succeeded by Mr Andrew Young, the former US congressman and ambassador to the United Nations, who also served the limit of two consecutive terms. Mr Jackson was then re-elected in 1989.

But blacks' political ascendancy in Atlanta has not meant (with a few exceptions) alienation of the city's white power structure. Rather, black political leaders and white business leaders have forged an unusually strong and work-

This has been the product in part of a tradition of white liberalism in Atlanta dating back to the turn of the century and partly, more recently, the prag-matic attitude of business towards a largely black labour

Other factors have been the resence of top black universities, the existence of a strong black middle class and the fact that Atlanta was the cradle of the civil rights movement, with its prominent leader Rev Martin Luther King, an Atlanta native.

The city's remarkably amicable race relations are rooted in this alliance of the black and white elites. According to Mr Young, for the past 30 years leaders of the black commu-nity and the chief executives of Atlanta's most important companies have been meeting privately once a month in a group called Atlanta Action Forum. Mr Young says that racial problems still exist, but "we have a tradition of sitting

down and working them out" Nonetheless, Mr Michael Lomax, the influential black chairman of the Fulton County commission, says the dominant cultural divide remains between blacks and whites. When affluent blacks can choose to live anywhere, they still form black enclaves, he says. "There's a kind of civility here that doesn't admit a lot of acrimony. The problem with civility is that it hides substan-

Atlanta, he says, "there is no idea that's so cear that it can't be compromised for a good More deals of all kinds may have to be cut as the city of Atlanta, with just 394,000 people, is becoming swamped by the more populous, wealthier and conservative suburbs. Metropolitan Atlanta is now con-sidered 18 counties with about 3m people and many believe

that the political challenge of

But Mr Lomax, like other top black politicians, has support

from white voters and white

businessmen. And, in a city

whose ethic is primarily com-

mercial, the goal - colour aside - is to get ahead. In

the futures is the welding together of a new unified regional government. When that idea, now widely discussed, is put on the political agenda, it is expected to ruffle the city's racial harmony. Blacks oppose it because, while it could make economic sense, their political influence would be diminished. However, some larger governing amalgation - short of the full 18 counties - may yet arise. Mr Lomax, who chairs the Atlanta Regional Commission's committee now consider ing the region's future, says of the city (which lies within his county): "It's got the name and it has a symbolic role, But in terms of defining the direction of the economic engine called Atlanta, it does not."

Barbara Harrison

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Style is self-appreciation

NOTHING seems quite so essential to Atlanta as "boosterism". The Atlanta Chamber of Commerce even claims to have conceived the first ever promotion plan for a US city, back in 1929.

Almost every Atlantan boasts of the city's attractions, from its can-do attitude and the low cost of doing business. to its warm southern hospitality and mild climate. And Atlanta's ambitions are hardly

one of the top five international business centres, alongside London, Paris, Tokyo and New York," said Mr Jerry Bartels, president of the Atlanta Chamber, "That's our own self-image and self-expecta-

The city's unabashed self-appreciation is not without a grounding in reality. It has scored the top rankings in business relocation surveys, including Fortune magazine's 1991 survey, "The Best Cities for Business", and Ernst & Young and the International Association of Corporate Real Estate Executives' Reshaping

That the city is a magnet for corporate relocations is without doubt. It attracted 1,403 new companies between 1983 and last year

America" study earlier this

That it is a magnet for corporate relocations is without doubt. It attracted 1,403 new companies between 1983 and last year, according to the Atlanta Chamber of Com-

Of those, 339 companies were foreign. These relocations have created some 500,000 jobs, giving Atlanta, justifiably, a sense

of being a boom town. The city's primary attractions for business include: • A pro-business public-pri-

 Excellent transportation, including Atlanta's Hartsfield airport, one of the world's largest and second busiest a rail hub, two deep sea ports and a



Atlanta's newspapers, the Constitution and the Journal, are read beyond the city and its suburbs, where Marta (Metropolitan Atlanta Rapid Transit Authority) runs its services

 Modern telecommunications, with more fiber optic connections than any other US

 A low corporate tax rate of 6 per cent, charged only on revenues made in the state, and Housing costs are relatively

"We are the city of value," said Ms Judith Webb, spokeswoman for the Atlanta Chamber of Commerce. But concerns exist about the quality of Georgia's workforce.

This is underlined by the fact that half of the employment growth since the early 1980s has been imported, non-

The state consequently offers a labour training programme called "Quick Start," which will train a workforce specifically to meet a company's needs. It also offers incentives to companies that raise the skill levels of the their employ-

And yet, attractions and incentives aside, the boom days appear to be over - at least for now. Since 1990, when the US recession began and the economic pinch began to be felt in Europe and Japan, the pace of investment and relocations has begun to slow.

The number of project announcements dropped in 1990 to 260 from 407 in 1989 and

KPMG Peat Marwick also found that foreign investment in Georgia, much of which is in the Atlanta area, fell in 1991 for the first time since the company began tracking it in 1984. The cumulative amount invested by foreign firms firms at least 50 per cent owned by foreign investors in Georgia dropped to \$7.5bn from \$8.6bn in 1990.

Some two thirds of the decline came from 12 companies that were bought by American firms. The survey covered 737 firms, or about 90 per cent of the foreign firms operating throughout Georgia. Yet, while fewer new foreign companies relocated to Georgia

Atlanta hopes that the award of the 1996 Olympic Games will provide a new burst of interest in the city,

particularly from foreign companies last year, nearly half of those surveyed expected to invest further this year, with the total amount to run to \$1.5bn.

Atlanta hopes that the award of the 1996 Olympic Games will provide a new burst of interest in the city, particularly from foreign companies.

It is particularly keen to attract more corporation and

non-profit association headquarters. At present, 13 of the Fortune 500 service companies and nine Fortune 500 industrial companies locate their headquarters here.

But, as testimony to its status as the business capital of the south, 422 of the Fortune 500 industrial companies have offices in Atlanta, as do 80 of the 100 largest commercial banking companies.

economist with Interstate/Johnson Lane, a regional brokerage house, believes that Atlanta is the place to be. "From Florida to North Caro-

Mr Wayne Gantt, the top

lina, this will be the best market in the United States. Per capita income is rising here nation, and there's great infrastructure and immigration of population," he said.

Such is the praise of Atlanta that Mr Bartels says companies coming to look at the city for possible relocation come with high expectations.

They are greeted, however, by a phalanx of well versed economic development offi-

The Chamber of Commerce, the state's Dept of Industry, Trade and Tourism, the city and, notably, Georgia Power, the state's major electricity supplier, all co-operate in the effort to persuade companies to choose Georgia. Georgia Power even has a video briefing room where visiting executives can call up an impressive amount of information on any site, building or community in the

Ms Becky Blalock, Georgia Power's manager of facilities relocation, said the energy company has a \$14bn investment in the state that it doesn't want to go to waste. "We try to do what we can to keep the economy going," said Ms Blalock.

And this seems to be the rule that Atlantans live by.

Barbara Harrison

RELOCATION PROFILE: UPS

Affordable housing helps

largest parcel delivery company, has had four homes in its 85-year history.

It began in Seattle as the American Mes-senger Service; moved to New York in 1930; shifted up the Long Island Sound in 1975 to the plush suburb of Greenwich, Connecticut. Then, last year, it relocated

attributed in large part to the all-too-familiar failings of the New York area. UPS employees found that housing in the Greenwich area had become hugely expensive and their willingness to relocate from other offices to the company's headquarters was dwindling. The time taken in making travel connections in New York City itself - getting to either John F Kennedy or La Guardia airport, for example - was wasteful.

There was, moreover, an intensifying dichotomy between UPS's plain image, and the sumptuous area in which the corporate headquarters was housed. UPS, a private company owned largely by its employees, has nutured an egalitarian culture. Executives travel coach class, for example, and everyone eats in the same

UNITED Parcel Service (UPS), the world's cafeteria. Greenwich, with its yachtpacked marina and manicured lawns, is usually viewed as a home of Wall Street

bankers and corporate big-wigs.
UPS's search for a new headquarters was masterminded at the highest levels within the company - and amid a good deal of secrecy, lest employees became unsettled. It also called on the services of a specialist "site-selection" consultancy which, with top management, drew up a shortlist of three cities: Dallas, Baltimore

and Atlanta. Today, UPS attributes the choice of Atlanta to a handful of different factors. First, the Georgia city seemed to address many of the problems which had occured in Greenwich. Housing, for instance, was still affordable - and in fairly good supply. In addition, the physical characterises of the region bore some resemblance to New England, suggesting that employ-ees would not feel hopelessly displaced.

Second, UPS was looking towards moving into a community where, although it would be a big corporation, it would not be the dominant employer.

Third, the city scored fairly highly in terms of "quality of life" issues. And finally, like many other companies moving to Atlanta, UPS saw the city's communications as an immense advantage.

UPS has been expanding heavily in Europe recently; it reckons that its managers take 18,000 "flight segments" a year. The large and extremely convenient network of flights available from Hartsfield International Airport looked like an invaluable asset.

Once announced, the choice proved popular with employees. UPS says that about 96 per cent of its managerial staff elected to move and 60 per cent of its administra-tive employees. This worked out at about 700 people altogether. Today, the delivery company employs about 1,150 people in the Atlanta headquarters, compared with about 1,000 in Greenwich.

Not everything was perfect, however. UPS still does not have a single head office building; it splits its operations between leased space in four separate buildings. A new headquarters is scheduled to be constructed - if all goes according to plan, this will open in 1995, Only then will UPS's move south be complete.

Nikki Tait

RELOCATION PROFILE: HOLIDAY INN

Three reasons given for move

association with Memphis than Holiday Inn, pioneer of the standardised family motel. But there, on the north side of Atlanta and surrounded with a mass of foliage and flowers, is a sparkling new office block. "Holiday Inn Worldwide," it

The Holiday Inn headquarters shifted from Memphis to Atlanta last year although the move was months in the planning. The last executives only switched offices at the beginning of 1992.

The corporate relocation was intrinsically linked to a change in ownership. Holiday Inn, the world's largest hotel franchise operation, had been progressively acquired by Bass, the British brewing and hotels group. Having bought the brand name outside the US, Bass purchased rights to the franchise system within the domestic US via a \$2bn deal in 1989.

At that stage, Holiday Inns' headquarters were in Memphis, home town of the chain's founder, Mr Kemmons Wilson. Mr Wilson, a builder/property entrepreneur, had devised the Holiday Inn's notion out of frustration with the service he received on a motoring trip. The first Holiday Inn opened in the Tennessee city in 1952 and,

by the time Bass moved in, about 2,400 people were employed at the group's HQ. Bass said it made the decision to move almost immediately after acquiring the US Holiday inn business. Today, it gives three clear reasons for picking Atlanta.

The first was communications. Holiday Inn, an international brand name, is likely to become an increasingly global. It is already owned by a British company, has outlets across Europe and is looking to expand aggressively in the Far East. Easy access to international travel was a must for executives.

Atlanta's Hartsfield Airport, the world's fourth largest in terms of take-offs and landings, was clearly good news The largest operator at the airport is Delta Air Lines, one of the three US "mega-carri-ers" with a comprehensive domestic route network. Delta, like all the big US carriers, was actively looking to expand its international presence: in mid-1991, it bought Pan Am's European route authorities and became the largest transatlantic carrier.

Meanwhile, according to airport officials, British Airways is the second largest international operator at Hartsfield and other scheduled airlines functioning there

include Japan Airlines, KLM, Lufthansa,

Memphis, it should be noted, is also a hub city - but for Northwest Airlines, which is smaller than Delta and finan-cially troubled. Northwest boasts a better route network in Far East, but has far less to offer in terms of flights to Europe.

A second reason for selecting Atlanta, says the hotel franchise operator, was the quality and availability of employees in the hospitality industry. In reality, the position may have been a shade more complicated. In the process of moving the Holiday Inn headquarters, Bass reassessed its functions, with the result that the office today employs just over 1,000 people, less than half the figure at the Memphis office. Despite the fairly close proximity of Memphis and Atlanta, only 300 employees moved with the headquarters.

Finally, the new owners say the "quality of life" issue played a significant part in the decision. Housing was affordable, the environment pleasant and the cultural facilities good. Holiday Inn admits looking closely at three other cities - Washington DC, New York and Chicago - but Atlanta

Nikki Tait

Barbara Harrison discovers a rich Atlanta — and a poor one, too

Carter's heavenly pennies

become known in the 12 years since he left the Oval Office for doing good works. Many of the most notable of these have been international. But now he is turning his considerable energy and prestige to the city

of Atlanta. Almost a year ago, Mr Carter called for the creation of The Atlanta Project, a non-profit, public and private initiative that aims to alleviate the pain of poverty and its associated ills, including drugs, crime, juvenile delinquency, violence,

homelessness and despair. While the Atlanta Project intends to confront American society's most intractable problems, Mr Carter seems

He believes that with some donated resources and considerable volunteer effort, measurable progress toward resolving these problems can be made and a sense of community can be restored. And while some have called the project

Quixotic, he has inspired many others to believe in it. The Atlanta Project, which is

expected to be launched formally on October 1, Mr Carter's birthday, now has some 100,000 applications from volunteers and over \$11m in cash pledges from corporations and individuals. According to Mr Dan Sweat, the co-ordinator of the project, a new fund-raising drive next month is expected to raise the remainder of the project's five-year cash needs

Many more donations have been made through "in kind" goods and services, including those of Mr Sweat, president of the CF Foundation, and other corporate executives who are on loan. Mr Sweat and others run the project out of the Carter Center, which houses the former president's library and various other international projects in which he is

involved. As a measure of the project's Heaven" using canisters to col-lect the coins. The project's plan of attack is to undertake specific projects for the worst problems in 20 of Atlanta's

poorest neighbourhoods.
In each of the 20 "clusters" as they are known, local neighbourhood activists will direct volunteers and draw neighbourhood residents into the project as participants.

> 'Mr Carter's appeal for the project has struck a nerve'

Mr Sweat says Mr Carter's appeal for the project has struck a nerve. "That nerve has to do with the sense of hopelessness, frustration and despair which has been building in the people of America for a number of years."

He also says that, while it is possibly a less noble motive, popular support, it expects to many in the business community are concerned about how many in the business commu-

when it is in the spotlight of the Olympics in 1946. Indeed, it would be impossible to try to hide the city's social problems during the Olympics, particularly because some Olympic installations will be in some of the poorest neighbourhoods. "We are going to be judged in this city - not by how well we stage the Olympic Games, but by what's being done for the

poor," says Mr Sweat.

While Atlanta has gained fame in recent years as a top business relocation choice and one of America's most liveable cities, it has a stunning amount of poverty and crime threaded in between its glisten-

• The city has a higher proportion of families with incomes below 50 per cent of the average national poverty level than any other city in the US except Newark, New Jer-

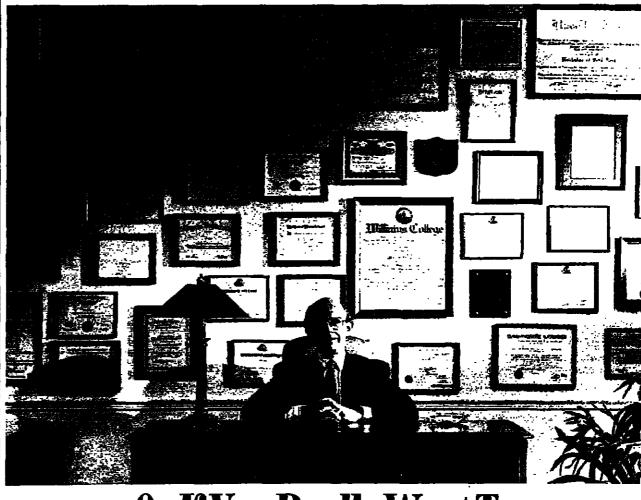
· Georgia ranks as the top state in the nation for infant mortality and 17 per cent of the newborns at the downtown Grady Hospital are born to mothers who use cocaine.

• While nearly 12 per cent of the public housing units remain vacant, Atlanta has between 12,000 and 15,000

 Atlanta is one of the highest crime rate cities in the US and in the past five years juvenile drug cases have risen by 1,700 per cent in Fulton County (where the city is located).

These are some of the rea-sons why Mr Carter talks about two Atlantas, a rich one and a poor one. It is these two Atlantas which he wants to bring together through his project. The former president, who volunteers a week of his time every year to build houses for the poor with the Habitat for Humanity organisation, says that if the social divide between rich and poor Atlan-tans can be bridged, personal contact will melt fears and resentments and build compassion, understanding and ties between neighbours.

His only fear of failure for the project, he says, is the failure to try. Yet critics say that the project has raised expectations so high that it cannot possibly fulfil them. If it works, however, Mr Carter hopes it will become a model for other cities around the country.



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GEORGIA AND ATLANTA 6

THERE can be few better ways to appreciate the importance of tourism to the Georgian economy than to enter the lobby of Atlanta's Marriott Marquis hotel early one morning and gaze upward into its enormous atrium.

The floors recede upward into the ether in a series of serried, circular balconies, their 1,674 rooms ready to disgorge the day's supply of conventioneers (readily identified by their badges), business people

and holiday-makers.
Glass lifts, ribbed with lights, race up and down, giving a carnival touch to the otherwise coldly impersonal feel of the building. Ranks of porters stand by the checkin desk, ready to jump when needed

Tourism has been big business in Atlanta since the 1960s, when the city made an effort to attract conventioneers by capitalising on its position as the communications hub of the American South. The Atlanta Hyatt hotel - the first, daring American exponent of the now-common atrium hotel design - dates from then

Tourism is also an important money earner in the rest of the state. An unusually wide range of attractions offer the holiday-maker the mountain country of north Georgia, the beautiful ante-bellum towns of the piedmont, the steamy romance of coastal Savannah and the

The 1996 Olympics will give a big impetus to the tourist industry, both immediately - given the huge number of visitors the games will attract - and over the

IMAGES of the Barcelona Olympics have

barely begun to fade, but Atlanta is already revving up for the 1996 games. The official Olympic flag arrived in the

port of Savannah on September 10, and

embarked on a glitzy train trip through

seven more Georgian cities before its final

in the games, but with the fanfare so far, it

would be hard to find a Georgian who is

not aware - and proud - that the 100th anniversary of the modern Olympics will

In local minds, the award of the 1996

Olympics means Atlanta has arrived as an

international city. Ever striving to make

its mark, it aims to stage the biggest extravaganza of its history for the 1996

As a top US convention city, Atlanta has

a proven capacity to handle large crowds.

It has over 53,000 hotel rooms in its metro-

politan area, a number which will climb to

Mr Andrew Young, a former mayor of Atlanta and former US ambassador to the

United Nations, is co-chairman of the

Atlanta Committee for the Olympic Games

(ACOG: a private, non-profit corporation

in charge of staging the event). He says:

take place in his/her home state.

The aim of the trip was to raise interest

stop in Atlanta.

62,000 rooms by 1996.

Martin Dickson finds a state full of modern tourist attractions

A little less moonlight

state's attractions into homes around the world, along with the athletic events.

One of the main reasons Atlanta was able to attract the Olympics is its hotel capacity. This currently totals about 53,000 rooms, with another 9,000 or so expected by 1996. About 10,000 are in the city's downtown area, close to Atlanta's main convention and sports centres, with another large complex a few miles to the north of the city, in the very well-heeled suburb of Buckhead.

But Georgia's tourism industry cannot afford complacency. The immediate question is how fast the convention business is likely to grow over the next few years, having been relatively flat while the US has been in recession.

Civic leaders express some concern over the appearance of some older parts of downtown Atlanta - still a little scruffy, despite the recent building of Underground Atlanta an imaginative shooping complex, and the nearby Coca-Cola Museum. These have helped restore some

gloss to the older central city.

That said, by the standards of most American cities central Atlanta is relanot a city for pedestrian sight-seeing. As in most of the "sunbelt" cities, the automo-bile rules - and Atlanta lacks the dramatic character of New York or the obvious charm of San Francisco, the cities which are its two big rivals in the convention business.

Atlanta now ranks number three, but its Convention and Visitors Bureau says the

Atlanta still lacks the easily identifiable tourist image of San Francisco and New York

city hopes to overtake New York for the number two position.

New York may have been given a lift by this year's Democratic Party Convention (as Atlanta was in 1988), but the bureau argues that New York's high labour costs and hotel taxes are likely to drive business in the direction of cheaper Atlanta.

Statistics certainly suggest continued expansion in Atlanta's convention business: The number has grown from 1,200 in 1984, with delegate expenditure of \$449m, to 1,728 in 1990, with some \$1.1bn of spend-

longer term, as television beams the tively clean and well-maintained. But it is ing - and the World Congress Centre, which is near downtown Atlanta and will form part of the Olympic games complex, is booked for conventions and exhibitions to beyond the year 2000.

The recent opening of the huge Georgia Dome, which stands nearby, gives the city additional convention space, though this also doubles as the home of Atlanta's football team, the Falcons, and as an entertainment centre. The Olympic basketball and gymnastics events will be held here.

Atlanta dominates Georgia's tourism: 36 per cent of the \$10.4bn spent by visitors in 1991, according to a study for the state's Department of Tourism. The northwest Georgia mountains region and the coastal region centred on Savannah each contribute about 13 per cent. Atlanta's tourist attractions are almost diametrically opposed to what you might expect in the self-proclaimed capital of the south. There is little or nothing of the moonlight, magnolia and southern ante-bellum romance associated with the city in Margaret

Mitchell's novel, Gone With The Wind. There is, however, plenty of that elsewhere in Georgia - be it in Savannah, with its old colonial squares and moss-covered trees, or in the graceful ante-bellum towns of Athens, home of the University of Georgia, and in Milledgeville, Georgia's former capital).

Atlanta's attractions are decidedly modern - a fact neatly symbolised in the 'Southern Heritage" section of a bookshop in Buckhead's big Lenox Square shopping mail. Nestling next to Gone With The Wind is a copy of the Factory Outlet Guide to the South - an up-to-the-minute analysis of bargain shopping spots.

The city's new architecture is one of its appeals. A spate of building in the 1980s has left a much more dramatic, post-modern skyline. The new IBM tower in midtown is particularly handsome, as is the nearby, widely praised High Museum of Art, built on a smaller scale and in very different style.

The recently opened Coca-Cola museum (an uncritical monument to one of the city's most celebrated companies) is largely devoted to exhibiting marketing strategies down the generations. Children, surprisingly, may find it rather boring except for a final, magnificent room. where free Coke is dispensed by glitzy machines which throw the liquid into an arc before it enters your cup.

Nothing could be further removed from this commercialism than the Martin Luther King centre, just east of downtown Atlanta. It honours the great civil rights leader who was born in the city, and had his headquarters here for much of the movement's existence.



The Atlanta tomb of Martin Luther King

The 1996 centennial Olympic games offer an enormous marketing opportunity

Sponsored fanfare has begun

85.000. The construction of these two venues in downtown Atlanta, and the construction or improvement of facilities in nearby Stone Mountain park, will mean that the most of the 32 Olympic events will be concentrated within the city or at the

Equestrian and shooting events will be held at special facilities no more than 33 miles away. Sailing events will be held in the Atlantic ocean off the city of Savannah, and white water canoeing will take place in Tennessee's Ocoee River.

Yet with all Atlanta's attractions as the capital of the New South, its old fashioned southern hospitality and its fame as the cradle of the 1960s civil rights movement, even some of the city's most enthusiastic promoters worry that it will not measure up to Barcelona in terms of cultural history and physically elegant gathering

Unlike the older northeastern US cities such as New York or Boston, Atlanta is There are conventions of 80,000 people in Atlanta and you don't even notice." not a pedestrian setting. The summer's The city recently completed the consweltering heat discourages much walkstruction of the Georgia Dome, a 70,500 ing. Its downtown area is mostly devoted seat stadium that will be the venue for the to the indoor, non-recreational activities of 1996 basketball and gymnastics competigovernment and business, and the city tions. And it is planning to build a \$207m boasts only one notable crowd gathering spot, the Underground, a redeveloped 19th Olympic Stadium with a capacity to seat



new Olympic Stadium costing over \$200m, seating 85,000, will be built beside it

century remnant of Atlanta before it was burned to the ground by General William T. Sherman during the Civil War.

None the less, a pedestrian walkway connecting the main downtown Olympic installations is planned. In total, the ACOC estimates that it will need to spend approximately \$1.4bn for construction and other operations - to include a \$100m host broadcasting facility. While the local government officials are hoping to find \$2.5bn for their wish list of city improvements, the ACOG, which is not asking for any government funds, says that it does not aim to redevelop the city.

Mr Young says he tells city leaders bluntly: "Find a way to do what you need to do with your own money." ACOG estimates its revenues - including television rights, corporate sponsorships, ticket sales

and other marketing income - at just over \$1.5bn. The planned surplus of roughly \$132m is to be donated for the support of amateur athletics.

The ACOG's plan for bringing in corporate sponsors seems a bit risky. It is drastically cutting back the number of corporate sponsorships to 12, and raising the price to the unprecedented level of \$40m. Compare this with the 1984 Los Angeles Games the last time the Olympics were in the US

 which had 35 sponsors at just \$4m each. But Mr Young and Mr AD Frazier, ACOG's chief operating officer, defend the sponsorship strategy by saying that, unlike previous games, the marketing possibilities of the Atlanta Games exceed those of the past.

"We are creating one of the most powerful marketing vehicles in history," claims Mr Young. The period during which sponsors will be able to use the Atlanta logos and trademarks will be four years instead of the usual one to two years, and the rights to the Atlanta games's symbols will be combined for the first time with those of the US Olympic committee, making a double package.

The exclusivity of being among the 12 sponsors - the ACOG calls them "part-ners" - will provide greater exposure for

companies. This has genuine value: the Atlanta games will be held during US Eastern Standard time, providing for the greatest amount of exposure for a North American audience, according to Mr Frazier. (Some 80 per cent of the US population lives within its Eastern and Central time zones.)

The ACOG also believes there will be greater interest in the 1996 games because they mark the centennial of the modern Olympic movement. Already the arguments have convinced three companies to hand over their \$40m: Nationsbank, Sara Lee and Home Depot. In addition, IBM has announced its sponsorship, but it will contribute goods and services worth more than \$40m. Mr Frazier believes the Olympic 12 will all be lined up by mid-1993.

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All these marketing arguments will likewise be employed good reasons for charging \$500m for the US television rights. NBC bought the Barcelona rights for \$401m and, despite relatively good ratings, still lost \$50m on the operation. Neverthess - even with sporting events advertising in the doldrums - the sheer size of the potential US audience may be too attractive to pass up. US broadcasters also note that, unlike Olympic games held elsewhere in the world, North Americans will be able to see the events live - an extra

incentive to tune in. For Atlanta - given that about 3bn people around the globe may expected to see the games - it is a chance to get on the world map as never before.

Barbara Harrison



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